Registered Number 174473

The Lion Confectionery Company Limited

Annual Report & Financial Statements

For the 52 weeks ended 31 December 2006

Directors and advisors

Directors

T Bond
G Chick
R Doyle
M E Drane
D Harding-Smith
S Hosaki
D J Pogson
P J Rumbol
W Strickland

Secretary

J E Hudspith

Registered office

Westgate
Cleckheaton
West Yorkshire
BD19 5EB

Auditors

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Four Brindleyplace
Birmingham
B1 2HZ

Report of the Directors

For the 52 weeks ended 31 December 2006

The Directors present their report, together with the audited financial statements of The Lion Confectionery Company Limited (the 'Company'), for the 52 weeks ended 31 December 2006 (the 'year')

Review of the Business and Principal Activities

The Company is a subsidiary of Cadbury Schweppes plc Its immediate parent company is Trebor Basset Holdings Limited The principal activity of the Company remains the manufacture, marketing and sale of sugar confectionery products to wholesale and retail outlets in the UK

During the year, The Lion Confectionery Company Limited continued to participate in the partnership, Cadbury Trebor Bassett, with Cadbury Limited and Trebor Bassett Limited This agreement affords that the profits of the partnership should be shared between the businesses in accordance with the partners' view of the respective values of Cadbury Limited, Trebor Bassett Limited and The Lion Confectionery Company Limited

Under the terms of the partnership agreement, a Management Committee manages the business and affairs of the partnership on its behalf The Management Committee comprises all of the directors of The Lion Confectionery Company Limited

Business review

The confectionery strategy of Cadbury Schweppes plc (the Group) is to be the biggest and best global confectionery company by significantly growing market share through organic growth and acquisition in the three categories of chocolate, gum and candy

The Partnership measures its performance compared to the Group's four strategic goals for the confectionery side of the business They are

1) To deliver superior shareholder performance

Our goal is to deliver superior returns to our shareowners by delivering superior business performance Our revenue is generated from the sale of branded confectionery products such as chocolate and sugar sweets Cash is usually generated in line with revenue and there are no significant time lags Direct trading costs consist mainly of raw materials, which for confectionery products are cocoa, milk, sugar and sweeteners, various types of nuts and fruit and packaging The other major direct cost is labour Indirect operating costs include marketing, distribution, indirect labour, warehousing sales force, innovation, IT and administrative costs

Our first priority in 2006 was to deliver our annual business plan This was measured against the Group's financial goal ranges that were set in 2003 These were

i) to grow revenue by 3-5% every year
ii) to improve underlying operating margins by 50 to 75 basis points each year
iii) to generate free cash flow of £1 5bn over the period from 2004-7

The Partnership's revenue in 2006 was £1,132 million (2005 £1,139 million) and the underlying operating margin was 7 7% (2005 12 3%) The 2006 results reflect the challenging trading conditions in the UK which arose from the combination of a hot summer and a product recall

Report of the Directors (continued)
For the 52 weeks ended 31 December 2006

On 23 June 2006, we recalled seven of our Cadbury branded product lines The net direct costs of the recall amounted to £28 million This comprised £5 million relating to customer returns, £10 million cost of stock destroyed, £17 million of remediation costs and £5 million of increased media spend, offset by a £9 million insurance recovery

2) To profitably and significantly increase confectionery market share
In confectionery, we continue to be a market leader Despite the poor third quarter which was impacted by the hot summer and the product recall, the confectionery market was broadly flat year-on-year Our business benefited from a strong performance in seasonal products, particularly at Easter, and increased innovation and marketing activity in the fourth quarter In the second half of the year, we launched Cadbury Dairy Milk Melts, a premium indulgence treat, Cadbury Flake Dark, a dark chocolate addition to the Flake brand, and Cadbury Highlights, a no added sugar chocolate bar We also relaunched Cadbury Snaps with new packaging and supported by a new marketing campaign Our activity continued into 2007 with strong marketing support for Crème Egg, Cadbury Dairy Milk and Cadbury Flake

We also announced our intention to sell our non-core Monkhill business in the UK This disposal will further increase the focus on our core brands

3) To ensure that our capabilities are 'best in class'
In 2006, we continued to improve our capabilities across all aspects of our business, including commercial, science and technology, supply chain and information technology, to enable us to deliver our growth and cost saving agenda

In May, the Partnership announced that it would further aggregate and standardise support services such as IT and back office services, and outsource these where efficiency savings could be gained The Group is creating a global outsourced Shared Business Services organisation to handle back office processes such as invoicing, payroll and travel

In supply chain, we continued to improve the efficiency of our manufacturing, distribution and procurement

4) To nurture the trust of our colleagues and the communities in which we do business
Our focus on performance and values is reflected in this goal which is to nurture the trust of colleagues and communities where we operate This is a broad goal which ranges from continuing to meet consumer needs and environmental sustainability to the engagement, commitment and diversity of our employees through to ethical trading, corporate governance and consumer health

During 2006 our efforts in nurturing colleagues and communities continued to gain recognition with a wide range of awards across a number of different areas These included corporate and social responsibility awards in the UK

In early 2006 with the introduction of 'Be Treatwise' labelling and responsible consumption message for our products in the UK, we provided consumers with more information about our brand's content expressed as proportions of recommended Guideline Daily Amounts

Protecting the health and safety of employees is fundamental to how we manage our business In 2006, we established a Quality, Environment, Health and Safety Group The remit of this committee includes quality and food safety where we are implementing additional programmes to strengthen our performance following the product recall

Report of the Directors (continued)

For the 52 weeks ended 31 December 2006

Business risk factors

The Partnership and its results could be materially adversely affected by any or all of the following risks In addition to the following risk factors, we face certain market risks that are discussed under the heading Financial Instruments (Liquidity Risk, Interest Rate Risk, Currency Risk, Credit Risk and Commodity Risk)

1) Competition and demand

The confectionery industry is highly competitive The Partnership competes with other multinational corporations which have significant financial resources to respond to and develop the markets in which both we and they operate These resources may be applied to change areas of focus or to increase investments in marketing or new products Furthermore, consumer tastes are susceptible to change If the Partnership is unable to respond successfully to rapid changes in demand or consumer preferences, sales or margins could be adversely affected

2) Product quality and safety

Despite safety measures adopted by the Partnership, products could become contaminated or not meet quality or safety standards The Partnership uses many ingredients in manufacturing confectionery which increases the risk of either accidental or malicious contamination Any contamination or failure to meet quality and safety standards may be expensive to remedy and could cause delays in manufacturing and have adverse effects

3) Dependence on business partners

An increasing proportion of the Partnership's functions are outsourced to third parties Failure of the third parties to deliver on their contractual obligations or failure of the Partnership to manage them effectively could lead to adverse effects

4) Information technology

The Partnership depends on accurate, timely information and numerical data from key software applications to aid day-to-day decision-making Any disruption caused by failings in these systems could delay or otherwise impact day-to-day decision-making, or cause material financial losses

5) Raw materials

The Partnership depends upon the availability, quality and cost of raw materials from around the world, which exposes it to price and supply fluctuation Key items such as cocoa, milk, sweeteners, packaging materials and energy are subject to potentially significant fluctuations While measures are taken to protect against the short-term impact of these fluctuations, there can be no assurance that any shortfalls will be recovered A failure to recover higher costs or shortfalls in availability or quality could decrease the profitability of the Partnership

6) Role of food in public health

Many countries face rising obesity levels due to an imbalance between energy consumed via food and expended through activity The reasons for the changes in society and for some individuals having a greater inclination to obesity are multifaceted and complex There are risks associated with the possibility of government action against the food industry, such as levying additional taxes on or restricting the advertising of certain product types This could increase the tax burden or make it harder for the Partnership to market products, reducing sales and/or profits

Report of the Directors (continued)

For the 52 weeks ended 31 December 2006

Outlook for 2007 and Future Prospects

The Directors expect a good year of revenue growth in 2007, supported by an active innovation programme The Partnership is making substantial investment in organic growth opportunities in support of a number of large initiatives, including

- The launch of Trident gum into the UK, leveraging the strength of our existing distribution network, and
- Higher marketing and innovation investment in our UK business

The recent new products launches are expected to make significant contributions to the growth of the business The Partnership has continued the programme of research and development for it's products and production methods Basic research in the confectionery field is undertaken for the Partnership by a subsidiary of Cadbury Schweppes plc The Directors regard investment in this area as a prerequisite for success in the medium to long term future

Post Balance Sheet Events

On 10 February 2007, a number of Easter egg lines were recalled as they did not carry the appropriate nut allergy labelling The net cost to the Partnership after insurance is immaterial

On 25 June 2007, our main UK sugar confectionery factory in Sheffield was flooded due to the severe weather conditions which affected much of the country This disrupted production for several weeks The net cost to the Partnership after insurance is immaterial

On 28 September 2007, Cadbury Limited changed its name to Cadbury UK Limited

Results and dividends

The profit on ordinary activities for the financial year, after taxation, was £264,000 (2005 £445,000)

Provision of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that

(1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Report of the Directors (continued)
For the 52 weeks ended 31 December 2006

Directors and their interests

The Directors at the date of this report are as stated on page 1

The Directors who served during the year and subsequently were as follows

S C Baldry	Resigned 20 June 2007
M P Barrington	Resigned 10 September 2007
T Bond	Appointed 16 July 2007
G Chick	Appointed 10 September 2007
M E Drane	
R Doyle	Appointed 10 September 2007
D C Foster	Resigned 28 September 2007
A C Gibson	Resigned 10 September 2007
D Harding-Smith	Appointed 16 October 2006
S Hosaki	Appointed 28 September 2007
M E Keating	Resigned 28 September 2007
A D Phythian	Resigned 10 September 2007
D J Pogson	
J C Reed	Resigned 15 June 2006
P J Rumbol	Appointed 15 June 2006
W Strickland	Appointed 10 September 2007

The interests of the Directors holding office at the year end in the share capital of Cadbury Schweppes plc are detailed below

	Ordinary shares of 12 5p each	
	1 January* 2006	**31 December 2006**
S C Baldry	299,781	264,377
M P Barrington	4,940	16,253
M E Drane	66,855	53,291
D C Foster	20,106	24,801
A C Gibson	12,520	17,611
D Harding-Smith	9,511	25,624
M E Keating	407,128	425,292
A D Phythian	1,288	4,327
D J Pogson	3,301	7,717
P J Rumbol	15,000	15,000

* Or date of appointment if later

The following Directors have been granted options under the Cadbury Schweppes plc Savings-Related Share Option Scheme 1982

Report of the Directors (continued)

For the 52 weeks ended 31 December 2006

Directors and their interests (continued)

Number of ordinary shares over which options were granted

	1 January* 2006	Movement in the year: Granted during year	Movement in the year: Exercised during year	31 December 2006
S C Baldry	2,138	-	-	2,138
M P Barrington	7,567	-	-	7,567
M E Drane	5,666	1,464	-	7,130
D C Foster	5,493	732	1,039	5,186
A C Gibson	2,342	1,690	-	4,032
D Harding-Smith	4,011	845	-	4,856
M E Keating	3,703	-	-	3,703
A D Phythian	4,757	-	1,039	3,718
D J Pogson	4,714	1,464	-	6,178
P J Rumbol	-	732	-	732

* Or date of appointment if later

The following Directors have been granted options under the Cadbury Schweppes plc Share Option Scheme 1994

Number of options over ordinary shares granted

	1 January* 2006	Movement in the year: Granted during year	Movement in the year: Exercised during year	31 December 2006
S C Baldry	282,000	-	-	282,000
M P Barrington	36,000	-	-	36,000
M E Drane	25,000	-	-	25,000
D C Foster	56,172	-	13,172	43,000
A C Gibson	50,000	-	-	50,000
D Harding-Smith	42,750	-	-	42,750
M E Keating	105,000	-	-	105,000
A D Phythian	18,000	-	18,000	-
D J Pogson	70,000	-	-	70,000

* Or date of appointment if later

The following Directors have been granted options under the Cadbury Schweppes plc Share Option Plan 2004

Number of options over ordinary shares granted

	1 January* 2006	Movement in the year: Granted during year	Movement in the year: Exercised during year	31 December 2006
S C Baldry	121,000	-	-	121,000
M P Barrington	42,500	-	-	42,500
M E Drane	58,000	-	-	58,000
D C Foster	23,250	-	-	23,250
A C Gibson	60,000	-	-	60,000
D Harding-Smith	55,000	-	-	55,000
M E Keating	83,000	-	-	83,000
A D Phythian	38,750	-	-	38,750
D J Pogson	55,500	-	-	55,500

* Or date of appointment if later

Report of the Directors (continued)

For the 52 weeks ended 31 December 2006

Directors and their interests (continued)

In respect of share options granted, for each of the above mentioned schemes, the range of exercise prices and the periods within which the options are normally exercisable are shown in the Report & Accounts and Form 20-F of Cadbury Schweppes plc

None of the Directors had any other interest in the securities of Cadbury Schweppes plc, or the Company, or any other subsidiary of Cadbury Schweppes, at any time during the year

Policy on Payment to Suppliers

The Company has no trade creditors, so the number of creditor days outstanding at the year end was nil

Fixed Assets

In the opinion of the directors there is no material difference between the book and the current open market value of interests in land and buildings

Disabled Employees

Although they are employed by Cadbury Trebor Bassett Services Limited, the Partnership bears the cost of employment of a number of people who are disabled, not all of whom are formally registered disabled persons in UK terms If an employee becomes disabled it is standard practice, in all but the most extreme circumstances, to offer an alternative job and provide retraining where necessary

Employee Involvement

The policy of informing and consulting with employees has continued by means of regular newsletters and employees are encouraged to present their views and suggestions in respect of the Partnership's performance Employees are also eligible to participate in the Cadbury Schweppes plc Savings-Related Share Option Scheme, with options to purchase shares in the ultimate holding company after a period of regular savings as defined under the terms of the scheme

Financial instruments

The Partnership is exposed to market risks arising from its business

a) Liquidity risk

The Partnership achieves certainty of funding by operating a flexible borrowing mechanism with Cadbury Schweppes plc

Cadbury Schweppes plc seeks to achieve a balance between certainty of funding and a flexible, cost-effective borrowings structure Consequently the policy seeks to ensure that all projected net borrowing needs are covered by committed facilities

b) Interest rate risk

The Partnership has an exposure to interest rate fluctuations on its borrowings with Cadbury Schweppes plc and on certain finance leases

As Cadbury Schweppes plc Group treasury manages the group's treasury operations, the partnership does not seek to manage interest rate risk on it's borrowing with Cadbury Schweppes plc

Report of the Directors (continued)

For the 52 weeks ended 31 December 2006

Financial instruments (continued)

c) Currency risk

The Partnership has transactional currency exposures arising from its international trade Through Cadbury Schweppes plc, the Partnership makes use of the forward foreign exchange markets to manage its exposures Cadbury Schweppes plc's policy is to take forward cover for all forecasted receipts and payments for as far ahead as the pricing structures are committed, subject to a minimum of three months' cover

d) Credit risk

The Partnership's trade receivables are concentrated with a small number of large customers, however management believe that credit risk is limited as these customers have high credit ratings Management therefore believe that there is no further credit risk provision require in excess of normal provision for doubtful receivables

e) *Commodity risk*

The Partnership has commodity movement exposures arising from its international trade Through Cadbury Schweppes plc, the Partnership makes use of derivative contracts for cocoa in order to provide a stable cost base for marketing finished products

Auditors

The Partners have appointed Deloitte & Touche LLP to undertake an audit of the Partnership Financial Statements and prepare an Auditor's report thereon Deloitte & Touche LLP will continue as auditors until such time as the Partners dispense with their services

Westgate
Cleckheaton
West Yorkshire
BD19 5EB

By order of the Board,

T Bond
Managing Director

29 October 2007

Statement of Directors' Responsibilities

For the 52 weeks ended 31 December 2006

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

a) select suitable accounting policies and then apply them consistently,

b) make judgments and estimates that are reasonable and prudent,

c) state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,

d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

Auditors' report

Independent Auditors' Report to the Members of The Lion Confectionery Company Limited

We have audited the financial statements of The Lion Confectionery Company Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 20 These financial statements have been prepared under the accounting policies set out therein

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

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

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

Auditors' report

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profits for the year then ended,

- the financial statements have been properly prepared in accordance with the Companies Act 1985, and

- the information given in the Directors' Report is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP 29 October 2007
Chartered Accountants and Registered Auditors
Birmingham, UK

Profit and loss account

For the 52 weeks ended 31 December 2006

	Notes	2006 £'000	2005 (restated – see Note 17) £'000
Share of profits in partnership	1b	423	698
Profit on ordinary activities before interest and taxation		423	698
Share of interest receivable and similar income	8	17	28
Share of interest payable and similar charges	9	(56)	(49)
Profit on ordinary activities before taxation		384	677
Taxation on profit on ordinary activities	10	(120)	(232)
Profit for the financial year	17	**264**	**445**

There are no recognised gains or losses in either year other than the retained profit for each year and therefore no statement of total recognised gains and losses is required

All operations of the Company continued throughout both years and derive from continuing operations

The accompanying notes form an integral part of this Profit and loss account

Balance sheet

As at 31 December 2006

	Notes	2006 £'000	2005 £'000
Fixed assets			
Investments	11a	9,075	8,936
		9,075	8,936
Current liabilities			
Creditors amounts falling due within one year	12	(1,129)	(1,252)
Net current liabilities		**(1,129)**	**(1,252)**
Total assets less current liabilities		**7,946**	**7,684**
Creditors amounts falling due after one year	13	(1,000)	(1,000)
Provisions for Liabilities and Charges	14	(50)	(65)
Net assets		**6,896**	**6,619**
Equity Capital and Reserves			
Called up share capital	16	300	300
Capital reserve	17	517	533
Capital redemption reserve	17	6	6
Profit and loss account	17	6,073	5,780
Equity shareholders' funds	17	**6,896**	**6,619**

The accompanying notes form an integral part of this Balance Sheet

Signed on behalf of the Board

T Bond
Managing Director

D Harding-Smith
Finance Director

29 October 2007

Notes to the Financial Statements (continued)

1 Accounting policies

The principal accounting policies are summarised below They have been applied consistently throughout the year and the preceding year, except for where changes have been made to previous policies on the adoption of new accounting standards during the year

a) Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards

The Partnership has applied the requirements of FRS 20 'Share-Based Payments' In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006 The Partnership's ultimate parent company (Cadbury Schweppes plc) issues equity-settled and cash-settled share-based payments to certain employees Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the parent company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly Details of the effect of the prior year adjustment have been given in Notes 15 and 17

b) Partnership Agreement

On 17 July 2000, the Company formed a partnership, Cadbury Trebor Bassett, along with Cadbury Limited and Trebor Bassett Limited Since that date, the Company has no longer traded under its own account, as all trading has been undertaken by the partnership Under the terms of the partnership agreement, the Company is entitled to a share of the profits of the partnership as determined by the Management Committee This is shown within "Share of profits in partnership"

Under the terms of the Partnership agreement, the beneficial interest of all assets and liabilities used in the business of the partners was transferred to the Partnership on 31 December 2000 Accordingly, these assets are no longer disclosed in the financial statements of The Lion Confectionery Company Limited, with the exception of corporation tax, deferred tax, investments and inter-company balances greater than one year, which remain in the Company In exchange for this transfer of all other assets, The Lion Confectionery Company Limited received an investment in the partnership, which is disclosed in investments

These financial statements should be read in conjunction with the financial statements of the other partners and the Cadbury Trebor Bassett Partnership financial statements

c) Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the actual rate prevailing at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the year end are translated at the middle market rates at the balance sheet date Transaction differences arising from exchange rate variations on trading transactions are included within operating profits

1 Accounting policies (continued)

d) Investments

Fixed asset investments are stated at cost, less amounts written off Income from fixed asset investments is included together with the related tax credit in the financial statements of the year in which it is receivable

e) Taxation

Corporation tax payable is provided on the taxable profit at the current rate Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net 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 underlying timing differences can be deducted

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

f) Cash flow statement

In accordance with the provision of Financial Reporting Standard No 1, the Company has not prepared a cash flow statement because its parent company, Cadbury Schweppes plc, which is incorporated in Great Britain and registered in England and Wales, has prepared consolidated financial statements which include the financial statements of the Company for the period and which are publicly available

2 Annual Financial Statements

As permitted by the Companies Act 1985 the Company, being a wholly owned subsidiary of a Company incorporated in Great Britain, does not prepare group accounts The results of the Company are included in the audited financial statements of Cadbury Schweppes plc for the year ended 31 December 2006 The company is therefore exempt from the requirements to prepare Group accounts under Section 228 of the Companies Act 1985 These financial statements present information about the company as an individual undertaking and not as a group

The profit and loss accounts cover the 52 weeks from 2 January 2006 to 31 December 2006 and the balance sheets for 2006 and 2005 have been drawn up at 31 December 2006 and 1 January 2006 respectively

3 Ultimate Parent Company

The Company's ultimate parent is Cadbury Schweppes plc, a company incorporated in Great Britain and registered in England and Wales Copies of the Group financial statements of Cadbury Schweppes plc are available from 25 Berkeley Square, London W1J 6HB

As a subsidiary of Cadbury Schweppes plc the Company has taken advantage of the exemption in FRS 8 "Related party disclosures" not to disclose transactions with other members of the group headed by Cadbury Schweppes plc

4 Profit on ordinary activities before interest and taxation

Since the formation of the partnership on 17 July 2000, all operating costs have been borne by the partnership

5 Pension Arrangements

The Company is a member of the Cadbury Schweppes plc group of companies, which operates group pension schemes for its UK subsidiaries The major scheme is the Cadbury Schweppes plc Pension Fund

The UK pension plans are administered and funded on a Group basis, with contributions fixed based on the position of the overall fund It is not possible to calculate the company's share of the liabilities and consequently the Partnership has accounted for its contributions to the scheme as if it were a defined contribution scheme

The total pension cost of the partnership, borne on behalf of the partners, was £47,740,000 (2005 £26,900,000), which, together with the pension costs of other subsidiaries in the group schemes, was assessed by qualified actuaries based on the latest actuarial assessment

This information has been calculated using the measurement principles of IAS 19 which are materially the same as the measurement principles of FRS 17

At the year end, under IAS 19, the group defined benefit pension schemes had a deficit of £204m, of which £16m related to UK pension obligations At 1 January 2006, the group defined benefit pension schemes, under IAS 19 had a deficit of £369m, of which £168m related to UK pension obligations

2006	**Rate of Return (%)**	**Market Value (£m)**
Equities	8 25	946
Bonds	4 75	763
Property	7 50	183
Other	5 25	86
		1,978
Present value of scheme liabilities		(1,994)
Deficit in the scheme		(16)

2005	**Rate of Return (%)**	**Market Value (£m)**
Equities	7 7	1,107
Bonds	4 4	449
Property	6 3	148
Other	4 2	58
		1,762
Present value of scheme liabilities		(1,930)
Deficit in the scheme		(168)

2004	**Rate of Return (%)**	**Market Value (£m)**
Equities	8 0	965
Bonds	4 8	376
Property	6 7	110
Other	4 0	14
		1,465
Present value of scheme liabilities		(1,703)
Deficit in the scheme before deferred tax		(238)
Notional deferred tax asset		71
Net liability		(167)

5 Pension Arrangements (continued)

The figures above were calculated on the basis of the following assumptions

	% 2006	% 2005	% 2004
Rate of increase in salaries	4 5	4 2	4 5
Rate of increase in pensions in payment	3 0	2 7	2 7
Rate of increase for deferred pensioners	3 0	2 7	2 7
Discount rate for scheme liabilities	5 10	4 75	5 3
Inflation	3 0	2 7	2 7

Further details of the latest actuarial valuation can be found in the Report & Accounts of Cadbury Schweppes plc

6 Directors' emoluments

	2006 £'000	2005 £'000
Emoluments paid or receivable for qualifying services	258	201

The above amounts relate to the director(s) who provided services exclusively to The Lion Confectionery Company Limited

Eight of the other directors (seven in 2005) provided their services to the Cadbury Trebor Bassett partnership, and consequently the cost of their emoluments was borne by the Partnership It is not practical to allocate the directors' emoluments between the respective companies which comprise the Partnership, hence the emoluments of those directors are disclosed in full below with respect to their services to the Partnership

	2006 £'000	2005 £'000
Emoluments paid or receivable for qualifying services	1,281	1,583

Additionally two further directors (four in 2005) were remunerated throughout the year by Cadbury Schweppes plc or its subsidiary undertakings for their services to the group as a whole No remuneration was paid to them specifically in respect of their services to The Lion Confectionery Company Limited

The emoluments of the highest paid director were £257,938 (£174,742 in 2005) At year-end, the accrued pension under the Company's defined benefit scheme for the highest paid director was £638,980 (£518,899 in 2005)

During the year, two directors (none in 2005) received or were due shares under long-term incentive schemes

During the year, eleven directors (twelve in 2005) were members of a Cadbury Schweppes defined benefit pension scheme

During the year six directors (nine in 2005) exercised options over shares in the Company's parent, Cadbury Schweppes plc

7 Employee information

Since the formation of the partnership on 17 July 2000, employee emoluments were borne by the partnership although all employees remained employed by The Lion Confectionery Company Limited On 6 April 2002 the employment of all employees was transferred to Cadbury Trebor Bassett Services Limited, a fellow group undertaking

Notes to the Financial Statements (continued)

8 Share of interest receivable and similar income

	2006 £'000	2005 £'000
Interest receivable on inter-company loans and deposits	17	28
	17	**28**

9 Share of interest payable and similar charges

	2006 £'000	2005 £'000
Interest payable on overdrafts and bank loans	3	-
Finance Leases	14	21
Interest payable on inter-company loans	39	28
	56	**49**

10 Taxation on profit on ordinary activities

The tax charge comprises

	2006 £'000	2005 £'000
UK corporation tax		
Current year	26	185
Prior year	109	(17)
Total current tax charge	135	168
Deferred taxation		
Current year	83	23
Prior year	(98)	41
	(15)	64
Charge for the year	**120**	**232**

The deferred tax charge / (credit) relates to the origination and reversal of timing differences

10 Taxation on profit on ordinary activities (continued)

The table below reconciles the UK Corporation Tax rate applicable each year to the effective rate obtained by computing the current tax charge as a percentage of profit before tax

	2006 £'000	2005 £'000
Profit on ordinary activities before taxation	**384**	**677**
UK corporation tax @ 30% (2005 30%)	115	203
Effects of		
Depreciation less capital allowances	(97)	(25)
Short-term timing differences	14	(6)
Adjustment to tax charge in respect of previous periods	109	(17)
Permanent differences	(5)	5
Pension	-	8
Total current tax charge	**135**	**168**

In March 2007, the UK Government announced that they would introduce legislation that would reduce the corporation tax rate to 28% with effect from 1 April 2008 This legislation was substantively enacted on 26 June 2007 In future periods, the deferred tax assets and liabilities, currently stated at 30% of the timing differences, will be restated to 28% of those amounts and hence the effective tax rate will decrease accordingly

11 Investments

a)

	Subsidiary Undertakings £'000	Partnership £'000	Total £'000
Cost and net book value			
At beginning of the year	1,118	7,818	8,936
Additions	-	139	139
At end of the year	**1,118**	**7,957**	**9,075**

b) The Company held the following subsidiary undertakings at the year end

	Country of incorporation	Proportion of ordinary issued capital held
Trebor Bassett Limited	England and Wales	100%

The business of the subsidiary undertaking is concerned with confectionery and allied products

The investment in the partnership represents the interest in the Cadbury Trebor Bassett partnership received in exchange for the transfer of certain assets and liabilities to the partnership

Notes to the Financial Statements (continued)

12 Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Amounts owed to fellow subsidiary undertakings	1,116	1,119
UK Corporation tax	13	133
	1,129	**1,252**

Amounts owed to fellow subsidiary undertakings are non-interest bearing

13 Creditors. amounts falling due after more than one year

	2006 £'000	2005 £'000
Authorised, allotted, called up and fully-paid	1,000	1,000
1,000,000 13% cumulative preference shares of £1 each		
	1,000	**1,000**

Non-equity shareholders' funds relate entirely to the 13% cumulative preference shares These shares carry entitlement to a dividend at the rate of 13% per annum The dividend of £130,000 was not paid between 2003 and 2006, as the holders of the preference shares have waived their rights to the dividend Holders of the cumulative preference shares do not have voting rights except on a resolution for the winding up of the company or a resolution affecting the rights attached to the shares, or if the preference dividend has remained unpaid for six months Holders of the cumulative preference shares have the rights on a winding up to receive, in priority to any other classes of shares, a premium with an amount per share equal to the greater of 10p and the excess of the market value over the nominal amount paid up thereon, such market value being established, in addition to any arrears of dividend

14 Provisions for liabilities and charges

The provision for liabilities and charges relate solely to deferred taxation as follows

	Deferred taxation £'000
At beginning of the year	65
Charged during the year	(15)
At end of the year	**50**

A deferred tax liability has been recorded relating to accelerated capital allowances ("ACAs") and a deferred tax asset has been recorded relating to short-term timing differences on provisions The movement in the year is as follows

	2006 ACAs £'000	2006 Short term timing differences £'000	2006 Total £'000	2005 £'000
At beginning of the year	78	(13)	65	1
Profit and loss account	8	(23)	(15)	64
At end of the year	**86**	**(36)**	**50**	**65**

Notes to the Fınancıal Statements (contınued)

14 Provısıons for lıabılıtıes and charges (contınued)

The company has unrecognısed deferred taxatıon lıabılıtıes on property revaluatıons as follows

Not provıded ın financıal statements	2006 £'000	2005 £'000
Propertıes	3	3
	3	3

Thıs lıabılıty ıs not provıded as there ıs currently no ıntentıon to dıspose of the revalued propertıes

15 Share-based Payments

Certaın employees of the Partnershıp receıve share awards whıch are settled usıng the equıty of the ultımate parent company, Cadbury Schweppes plc The Partnershıp recognısed total expenses of £3m (2005 £2 9m) related to these equıty-settled share-based payment transactıons durıng the year

Cadbury Schweppes plc has a number of share optıon plans that are avaılable to certaın senıor employees of the company the Bonus Share Retentıon Plan (BSRP) and the Dıscretıonary Share Optıon Plan (DSOP) Cadbury Schweppes plc also has a UK share optıon scheme for all employees of the Partnershıp Optıons are normally forfeıted ıf the employee leaves Cadbury Schweppes plc before the optıons vest Cadbury Schweppes plc also has an Internatıonal Share Award Plan (ISAP) whıch ıs used to reward exceptıonal performance amongst employees

An expense ıs recognısed for the faır value at the date of grant of the estımated number of shares that wıll be awarded to settle the optıons over the vestıng perıod of each scheme The faır value ıs measured usıng the valuatıon technıque that ıs consıdered to be the most approprıate to value each class of award these ınclude Bınomıal models and Black-Scholes calculatıons These valuatıons take ınto account factors such as non-transferabılıty, exercıse restrıctıons and behavıoural consıderatıons Key faır value and other assumptıons are detaıled below

Schemes granted ın 2006

	BSRP	ISAP	Sharesave
Expected volatılıty *(1)*	n/a	n/a	22%
Expected lıfe	3 yrs	1-3 yrs	Vestıng+5 months
Rısk free rate	4 5%	4 2%-4 9%	4 6%-4 8%
Expected dıvıdend yıeld	2 5%	2 3%-2 5%	2 3%
Faır value per award (% of share prıce at date of grant)	185 2% *(2)*	93 0%-99 3%	23 8%-33 5%
Possıbılıty of ceasıng employment before vestıng	-	-	12%-35%
Expectatıons of meetıng performance crıterıa	40%	n/a	n/a

No grants were made under the DSOP ın 2006

15 Share-based Payments (continued)

Schemes granted in 2005

	BSRP	DSOP	ISAP	Sharesave
Expected volatility *(1)*	n/a	22%	n/a	22%
Expected life	3 yrs	*(3)*	1-3 yrs	Vesting+5 months
Risk free rate	4 5%	4 8%	4 2%-4 9%	4 6%-4 8%
Expected dividend yield	2 5%	3 0%	2 3%-2 5%	2 3%
Fair value per award (% of share price at date of grant)	185 2% *(2)*	23 0%	93 0%-99 3%	23 8%-33 5%
Possibility of ceasing employment before vesting	-	14%	-	12%-35%
Expectations of meeting performance criteria	40%	85%	n/a	n/a

1) Expected volatility was determined by calculating the historical volatility of Cadbury Schweppes plc's share price over the previous three years
2) Fair value of BSRP includes 100% of the matching shares available
3) The fair value calculation of a discretionary share option uses an expected life to the point of expected exercise This is determined through analysis of historical evidence exercise patterns of option holders

The BSRP resulted in a charge of £0 4m in 2006 (2005 £0 3m) DSOP and share save plans resulted in a charge of £2.6m in 2006 (2005 £2 5m)

2006: Details of the share option plans are as follows·

	Balance outstanding at the beginning of year	Granted	Exercised	Cancelled	Balance outstanding at the end of the year	Exercise price for options (in £s)	Weighted average exercise price of options (in £s) (i)	Weighted average contractual life in month of options	Exercisable at year end	Weighted average exercise price of options (in £s) (ii)
a	11,211,699	1,649,651	2,163,012	512,099	10,180,239	3 14-4 47	3 75	35	-	-
b	2,609,875	-	402,651	4,336	2,202,888	2 97-4 83	4 29	61	2,174,423	4 29
c	1,497,500	-	-	27,000	1,470,500	4 39-5 26	4 79	95	-	-

2005. Details of the share option plans are as follows

	Balance outstanding at the beginning of year	Granted	Exercised	Cancelled	Balance outstanding at the end of the year	Exercise price for options (in £s)	Weighted average exercise price of options (in £s) (i)	Weighted average contractual life in month of options	Exercisable at year end	Weighted average exercise price of options (in £s) (ii)
a	12,481,668	1,801,581	2,557,924	513,626	11,211,699	2 35-3 52	3 28	29	342,774	2 44
b	3,548,399	-	783,791	154,733	2,609,875	2 42-4 22	4 20	62	1,653,623	4 58
c	848,643	659,349	-	10,492	1,497,500	4 39-5 69	4 78	20	-	-

a) Savings-Related Share Option Scheme for employees approved by shareholders in May 1982
b) Share Option Plan for Directors, senior executives and senior managers approved by shareholders in May 1994
c) Share Option Plan for eligible executives (previously called the Cadbury Schweppes Share Options Plan 1994, as amended at the 2004 AGM)
(i) Weighted average exercise price of options outstanding at the end of the year (in £s)
(ii) Weighted average exercise price of options currently exercisable at year end (in £s)

16 Called up share capital

	2006 £'000	2005 £'000
Authorised		
1,600,000 ordinary shares of 25p each	400	400
Allotted, called up and fully paid		
1,200,000 ordinary shares of 25p each	300	300

17 Reconciliation of movements in shareholders' funds (all equity) and movement on reserves

	Called-up Share capital £'000	Capital reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000	2006 Total £'000	2005 Total £'000
At beginning of the year	300	533	6	5,780	6,619	6,161
Prior year adjustment – FRS 20	-	-	-	(13)	(13)	-
Credit to equity for share-based payments	-	-	-	13	13	-
At beginning of the year (restated)	300	533	6	5,780	6,619	6,161
Profit for the year	-	-	-	264	264	445
Credit to equity for share-based payment	-	-	-	13	13	13
Transfers to reserves	-	(16)	-	16	-	-
At end of the year	300	517	6	6,073	6,896	6,619

Upon transfer of the revalued assets to the partnership on 31 December 2000 in accordance with the accounting policies set out in note 1, the associated revaluation reserve was transferred to a non-distributable capital reserve Transfers between the capital reserve and the profit and loss account reserve will continue to be made in future years in order to amortise surpluses over the remaining useful lives of the properties

The Profit and loss account includes the Company's share of the credit to equity for share-based payments in line with Financial Reporting Standard No 20 – 'Share-based Payments'

Prior Year Adjustment

The prior year adjustment relates to the implementation of FRS 20 The adoption of FRS 20 has resulted in the recognition of a reduction in the Company's share of profits from the partnership of £13,000 in relation to share-based payments and a corresponding recognition of a capital contribution by Cadbury Schweppes plc in reserves

18 Related Party Transactions

The Company has taken advantage of the exemption under the rules of Financial Reporting Standard No 8 – 'Related party disclosures' not to disclose related party transactions with other Cadbury Schweppes plc group companies as over 90% of the voting rights of the Company are controlled by the ultimate parent company, Cadbury Schweppes plc, and the consolidated financial statements of the ultimate parent company are publicly available

Notes to the Financial Statements (continued)

19 Post Balance Sheet Events

On 10 February 2007, a number of Easter egg lines were recalled as they did not carry the appropriate nut allergy labelling The net cost to the Partnership after insurance is immaterial

On 25 June 2007, our main UK sugar confectionery factory in Sheffield was flooded due to the severe weather conditions which affected much of the country This disrupted production for several weeks The net cost to the Partnership after insurance is immaterial

On 28 September 2007, Cadbury Limited changed its name to Cadbury UK Limited

20 Treasury Risk Management

The principal activity of the Company is the manufacture, marketing and sale of chocolate confectionery products to wholesale and retail outlets in the UK The Company's financial instruments comprise investments, borrowings and other creditors No trading in financial instruments was undertaken by the Company during the period under review

The main risks arising from the Company's financial instruments are liquidity risk, interest rate risk, currency risk and credit risk Details of treasury risk management are outlined in the Report of the Directors

Cadbury Trebor Bassett

Annual Report & Financial Statements
for the 52 weeks ended 31 December 2006

Report of the Management Committee

Management Committee and Advisors

Partners

Cadbury Limited
Trebor Bassett Limited
The Lion Confectionery Company Limited

Management Committee

T Bond
G Chick
R Doyle
D Harding-Smith
S Hosaki
D J Pogson
P J Rumbol
W Strickland

Principal Office

Hertford Place
Denham Way
Maple Cross
Hertfordshire
WD3 9XB

Auditors

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Four Brindleyplace
Birmingham
B1 2HZ

Report of the Management Committee (continued)

For the 52 weeks ended 31 December 2006

In accordance with Regulation 4(1) (a) and (b) of the Partnerships and Unlimited Companies (Accounts) Regulations 1993, the Management Committee present their Report, together with the audited financial statements of Cadbury Trebor Bassett (the 'Partnership') for the 52 weeks ended 31 December 2006 (the 'year')

Review of the Business and Principal Activities

The Partners are all subsidiary companies of Cadbury Schweppes plc

The principal activity of the Partnership is the manufacture, marketing and sale of chocolate and sugar confectionery products to wholesale and retail outlets in the UK

During the year, the Partnership Cadbury Trebor Bassett continued to exist between Cadbury Limited, Trebor Bassett Limited and The Lion Confectionery Company Limited This agreement affords that the profits of the Partnership be shared between the businesses in accordance with the partners' view of the respective values of Cadbury Limited, Trebor Bassett Limited and The Lion Confectionery Company Limited

Business review

The confectionery strategy of Cadbury Schweppes plc (the Group) is to be the biggest and best global confectionery company by significantly growing market share through organic growth and acquisition in the three categories of chocolate, gum and candy

The Partnership measures its performance compared to the Group's four strategic goals for the confectionery side of the business They are

1) To deliver superior shareholder performance

Our goal is to deliver superior returns to our shareowners by delivering superior business performance Our revenue is generated from the sale of branded confectionery products such as chocolate and sugar sweets Cash is usually generated in line with revenue and there are no significant time lags Direct trading costs consist mainly of raw materials, which for confectionery products are cocoa, milk, sugar and sweeteners, various types of nuts and fruit and packaging The other major direct cost is labour Indirect operating costs include marketing, distribution, indirect labour, warehousing sales force, innovation, IT and administrative costs.

Our first priority in 2006 was to deliver our annual business plan This was measured against the Group's financial goal ranges that were set in 2003. These were

i) to grow revenue by 3-5% every year
ii) to improve underlying operating margins by 50 to 75 basis points each year
iii) to generate free cash flow of £1 5bn over the period from 2004-7

The Partnership's revenue in 2006 was £1,132 million (2005 £1,139 million) and the underlying operating margin was 7 7% (2005 12 3%) The 2006 results reflect the challenging trading conditions in the UK which arose from the combination of a hot summer and a product recall

Report of the Management Committee (continued)

For the 52 weeks ended 31 December 2006

On 23 June 2006, we recalled seven of our Cadbury branded product lines The net direct costs of the recall amounted to £28 million This comprised £5 million relating to customer returns, £10 million cost of stock destroyed, £17 million of remediation costs and £5 million of increased media spend, offset by a £9 million insurance recovery.

2) To profitably and significantly increase confectionery market share

In confectionery, we continue to be a market leader Despite the poor third quarter which was impacted by the hot summer and the product recall, the confectionery market was broadly flat year-on-year Our business benefited from a strong performance in seasonal products, particularly at Easter, and increased innovation and marketing activity in the fourth quarter In the second half of the year, we launched Cadbury Dairy Milk Melts, a premium indulgence treat, Cadbury Flake Dark, a dark chocolate addition to the Flake brand, and Cadbury Highlights, a no added sugar chocolate bar We also relaunched Cadbury Snaps with new packaging and supported by a new marketing campaign Our activity continued into 2007 with strong marketing support for Crème Egg, Cadbury Dairy Milk and Cadbury Flake

We also announced our intention to sell our non-core Monkhill business in the UK This disposal will further increase the focus on our core brands

3) To ensure that our capabilities are 'best in class'

In 2006, we continued to improve our capabilities across all aspects of our business, including commercial, science and technology, supply chain and information technology, to enable us to deliver our growth and cost saving agenda

In May, the Partnership announced that it would further aggregate and standardise support services such as IT and back office services, and outsource these where efficiency savings could be gained The Group is creating a global outsourced Shared Business Services organisation to handle back office processes such as invoicing, payroll and travel

In supply chain, we continued to improve the efficiency of our manufacturing, distribution and procurement

4) To nurture the trust of our colleagues and the communities in which we do business

Our focus on performance and values is reflected in this goal which is to nurture the trust of colleagues and communities where we operate This is a broad goal which ranges from continuing to meet consumer needs and environmental sustainability to the engagement, commitment and diversity of our employees through to ethical trading, corporate governance and consumer health

During 2006 our efforts in nurturing colleagues and communities continued to gain recognition with a wide range of awards across a number of different areas These included corporate and social responsibility awards in the UK

In early 2006 with the introduction of 'Be Treatwise' labelling and responsible consumption message for our products in the UK, we provided consumers with more information about our brand's content expressed as proportions of recommended Guideline Daily Amounts

Protecting the health and safety of employees is fundamental to how we manage our business In 2006, we established a Quality, Environment, Health and Safety Group The remit of this committee includes quality and food safety where we are implementing additional programmes to strengthen our performance following the product recall

Report of the Management Committee (continued)

For the 52 weeks ended 31 December 2006

Business risk factors

The Partnership and its results could be materially adversely affected by any or all of the following risks In addition to the following risk factors, we face certain market risks that are discussed under the heading Financial Instruments (Liquidity Risk, Interest Rate Risk, Currency Risk, Credit Risk and Commodity Risk)

1) Competition and demand

The confectionery industry is highly competitive The Partnership competes with other multinational corporations which have significant financial resources to respond to and develop the markets in which both we and they operate. These resources may be applied to change areas of focus or to increase investments in marketing or new products Furthermore, consumer tastes are susceptible to change If the Partnership is unable to respond successfully to rapid changes in demand or consumer preferences, sales or margins could be adversely affected

2) Product quality and safety

Despite safety measures adopted by the Partnership, products could become contaminated or not meet quality or safety standards The Partnership uses many ingredients in manufacturing confectionery which increases the risk of either accidental or malicious contamination Any contamination or failure to meet quality and safety standards may be expensive to remedy and could cause delays in manufacturing and have adverse effects

3) Dependence on business partners

An increasing proportion of the Partnership's functions are outsourced to third parties Failure of the third parties to deliver on their contractual obligations or failure of the Partnership to manage them effectively could lead to adverse effects

4) Information technology

The Partnership depends on accurate, timely information and numerical data from key software applications to aid day-to-day decision-making Any disruption caused by failings in these systems could delay or otherwise impact day-to-day decision-making, or cause material financial losses

5) Raw materials

The Partnership depends upon the availability, quality and cost of raw materials from around the world, which exposes it to price and supply fluctuation Key items such as cocoa, milk, sweeteners, packaging materials and energy are subject to potentially significant fluctuations While measures are taken to protect against the short-term impact of these fluctuations, there can be no assurance that any shortfalls will be recovered A failure to recover higher costs or shortfalls in availability or quality could decrease the profitability of the Partnership

6) Role of food in public health

Many countries face rising obesity levels due to an imbalance between energy consumed via food and expended through activity The reasons for the changes in society and for some individuals having a greater inclination to obesity are multifaceted and complex There are risks associated with the possibility of government action against the food industry, such as levying additional taxes on or restricting the advertising of certain product types This could increase the tax burden or make it harder for the Partnership to market products, reducing sales and/or profits

Report of the Management Committee (continued)

For the 52 weeks ended 31 December 2006

Outlook for 2007 and Future Prospects

The Directors expect a good year of revenue growth in 2007, supported by an active innovation programme The Partnership is making substantial investment in organic growth opportunities in support of a number of large initiatives, including

- The launch of Trident gum into the UK, leveraging the strength of our existing distribution network, and
- Higher marketing and innovation investment in our UK business.

The recent new products launches are expected to make significant contributions to the growth of the business The Partnership has continued the programme of research and development for it's products and production methods Basic research in the confectionery field is undertaken for the Partnership by a subsidiary of Cadbury Schweppes plc The Directors regard investment in this area as a prerequisite for success in the medium to long term future

Post Balance Sheet Events

On 10 February 2007, a number of Easter egg lines were recalled as they did not carry the appropriate nut allergy labelling The net cost to the Partnership after insurance is immaterial

On 25 June 2007, our main UK sugar confectionery factory in Sheffield was flooded due to the severe weather conditions which affected much of the country This disrupted production for several weeks The net cost to the Partnership after insurance is immaterial

On 28 September 2007, Cadbury Limited changed its name to Cadbury UK Limited.

Investments

During the year, the Partnership was party to no capital transactions

Results and dividends

The profit on ordinary activities for the financial year after taxation was £76,172,000 (2005 £134,328,000)

A distribution of profits of £76,172,000 (2005 £134,328,000) has been made to the Partners in accordance with the terms of the Partnership Agreement

Provision of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that

(1) so far as the director is aware, there is no relevant audit information of which the Partnership's auditors are unaware, and

(2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Partnership's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Fixed Assets

In the opinion of the directors there is no material difference between the book and the current open market value of interests in land and buildings

Report of the Management Committee (continued)

For the 52 weeks ended 31 December 2006

Disabled Employees

Although they are employed by Cadbury Trebor Bassett Services Limited, the Partnership bears the cost of employment of a number of people who are disabled, not all of whom are formally registered disabled persons in UK terms If an employee becomes disabled it is standard practice, in all but the most extreme circumstances, to offer an alternative job and provide retraining where necessary

Employee Involvement

The policy of informing and consulting with employees has continued by means of regular newsletters and employees are encouraged to present their views and suggestions in respect of the Partnership's performance Employees are also eligible to participate in the Cadbury Schweppes plc Savings-Related Share Option Scheme, with options to purchase shares in the ultimate holding company after a period of regular savings as defined under the terms of the scheme

Financial Instruments

The Partnership is exposed to market risks arising from its business

a) Liquidity risk

The Partnership achieves certainty of funding by operating a flexible borrowing mechanism with Cadbury Schweppes plc

Cadbury Schweppes plc seeks to achieve a balance between certainty of funding and a flexible, cost-effective borrowings structure Consequently the policy seeks to ensure that all projected net borrowing needs are covered by committed facilities

b) Interest rate risk

The Partnership has an exposure to interest rate fluctuations on its borrowings with Cadbury Schweppes plc and on certain finance leases

c) Currency risk

The Partnership has transactional currency exposures arising from its international trade Through Cadbury Schweppes plc, the Partnership makes use of the forward foreign exchange markets to manage its exposures Cadbury Schweppes plc's policy is to take forward cover for all forecasted receipts and payments for as far ahead as the pricing structures are committed, subject to a minimum of three months' cover

d) Credit risk

The Partnership's trade receivables are concentrated with a small number of large customers, however management believe that credit risk is limited as these customers have high credit ratings Management therefore believe that there is no further credit risk provision require in excess of normal provision for doubtful receivables

e) Commodity risk

The Partnership has commodity movement exposures arising from its international trade Through Cadbury Schweppes plc, the Partnership makes use of derivative contracts for cocoa in order to provide a stable cost base for marketing finished products

Report of the Management Committee (continued)

For the 52 weeks ended 31 December 2006

Charitable and Political Contributions

During the year, the Partnership made charitable contributions of £232,000 (2005 £441,000) The Partnership made no political contributions during the year (2005· £nil)

Auditors

The Partners have appointed Deloitte & Touche LLP to undertake an audit of the Partnership Financial Statements and prepare an Auditor's report thereon Deloitte & Touche LLP will continue as auditors until such time as the Partners dispense with their services

Principle Office

Hertford Place
Denham Way
Maple Cross
Hertfordshire
WD3 9XB

By order of the Management Committee,

T Bond
Managing Director

29 October 2007

Statement of Management Committees' Responsibilities in Relation to Financial Statements

For the 52 weeks ended 31 December 2006

The Management Committee are required by the Partnership and Unlimited Companies (Accounts) Regulations 1993 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Partnership as at the end of the financial year, and of the profit or loss for the financial year The Management Committee accept that they have a responsibility for preparing the financial statements in accordance with applicable accounting standards and the provisions of the Companies Act 1985 ("the Act") which would have applied if the financial statements were statutory financial statements

After making enquiries, the Management Committee has a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future For this reason, they continue to adopt the going concern basis in preparing the financial statements

The Management Committee consider that in preparing the financial statements the Partnership has used appropriate accounting policies, as set out in note 1 to the financial statements, that have been consistently applied and supported by reasonable and prudent judgements and estimates All accounting standards that the Partners consider applicable have been followed, subject to any material departures disclosed and explained in the financial statements

The Management Committee has responsibility for ensuring that the Partnership keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Partnership, and which enable them to ensure that the financial statements comply with the Partnership and Unlimited Companies (Accounts) Regulations 1993 The Partners have general responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Partnership and to prevent and detect fraud and other irregularities.

Auditors' report

Independent Auditors' Report to the Members of Cadbury Trebor Bassett

We have audited the financial statements of Cadbury Trebor Bassett for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 28 These financial statements have been prepared under the accounting policies set out therein

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

Respective responsibilities of Partners and auditors

The Partners responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Management Committee responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Report of the Management Committee is consistent with the financial statements

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

We read the Management Committee report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the Management Committee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Partnership's circumstances, consistently applied and adequately disclosed

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

Auditors' report

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Partnership's affairs as at 31 December 2006 and of its results for the year then ended,

- the financial statements have been properly prepared in accordance with the Companies Act 1985, and

- the information given in the Report of the Management Committee is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP 29 October 2007
Chartered Accountants and Registered Auditors
Birmingham, UK

Profit and loss account

For the 52 weeks ended 31 December 2006

	Notes	2006	2005 (restated – see Note 21)
		£'000	£'000
Turnover	4	1,132,076	1,138,709
Cost of Sales		(760,174)	(744,119)
Gross Profit		**371,902**	**394,590**
Net operating expenses	5	(307,317)	(256,087)
Operating profit		**64,585**	**138,503**
Profit on disposal of fixed assets	8	19,471	-
Profit before interest		**84,056**	**138,503**
Interest receivable and similar income	6	3,257	5,647
Interest payable and similar charges	7	(11,141)	(9,822)
Profit available for distribution	8	**76,172**	**134,328**
Distribution of profit to partners	12	(76,172)	(134,328)
Result for the financial year		-	-

There are no recognised gains or losses in either year other than the retained profit for each year and therefore no statement of total recognised gains and losses is required

All operations of the Company continued throughout both years

There is no material difference between the result as disclosed in the profit and loss account and the result on a historical cost basis

The accompanying notes form an integral part of this Profit and loss account

Balance sheet

As at 31 December 2006

	Notes	2006 £'000	2005 £'000
Fixed assets			
Intangible fixed assets	13	75,257	75,137
Tangible fixed assets	14	330,268	310,303
		405,525	385,440
Current assets			
Stocks	15	145,944	176,493
Debtors	16	266,281	226,366
Cash at bank and in hand		4,974	49,536
		417,199	452,395
Creditors amounts falling due within one year	17	(353,802)	(358,330)
Net current assets		**63,397**	**94,065**
Total assets less current liabilities		**468,922**	**479,505**
Creditors amounts falling due after one year	18	(21,697)	(41,080)
Provisions for liabilities and charges	19	(6,379)	(3,733)
Net assets		**440,846**	**434,692**
Capital and reserves			
Partners' capital	21	440,846	434,692
Partnership funds		**440,846**	**434,692**

The accompanying notes form an integral part of this Balance Sheet

Signed on behalf of the Partnership

T Bond
Managing Director

D Harding-Smith
Finance Director

29 October 2007

Notes to the Financial Statements (continued)

1 Accounting policies

The principal accounting policies are summarised below They have been applied consistently throughout the year and the preceding year, except for where changes have been made to previous policies on the adoption of new accounting standards during the year

a) Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards

The Partnership has applied the requirements of FRS 20 'Share-Based Payments' In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006 The Partnership's ultimate parent company (Cadbury Schweppes plc) issues equity-settled and cash-settled share-based payments to certain employees Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the parent company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly Details of the effect of the prior year adjustment have been given in Notes 20 and 21

b) Partnership Agreement

On 17 July 2000, Cadbury Limited, Trebor Bassett Limited and The Lion Confectionery Company Limited entered into a Partnership agreement and formed Cadbury Trebor Bassett Since that date, these Companies have traded exclusively for, and on behalf of, the Partnership The terms of the Partnership agreement, affords the profits of the Partnership to be distributed between the Partners in accordance with the wishes of the Management Committee

Under the terms of the Partnership agreement, the beneficial interest of all assets and liabilities used in the business of the Partners was transferred to the Partnership on 31 December 2000 Accordingly, these assets are now disclosed in the financial statements of the Cadbury Trebor Bassett Partnership

These financial statements should be read in conjunction with the financial statements of the Partners

c) Foreign Currency

Transactions denominated in foreign currencies are translated into sterling at the actual rate prevailing at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the year end are translated at the middle market rates at the balance sheet date Any exchange differences are taken to the profit and loss account as they arise

d) Sales

This represents the invoiced value of sales (net of trade discounts, sales incentives, upfront payments, slotting fees and other non-discretionary payments) and royalties, excluding value added tax and sales taxes Revenue is recognised when persuasive evidence of an arrangement with a customer exists, delivery has occurred, the price is fixed or determinable and collection of the amount due is reasonably assured

1 Accounting policies (continued)

e) Research and development

Expenditure on research and development is charged to the profit and loss account as incurred

f) Goodwill and Intangible Fixed Assets

Purchased goodwill is capitalised in the year in which it arises and amortised over its useful economic life up to a maximum of 20 years.

g) Tangible Fixed Assets

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 land and buildings	2 5%
Plant and Machinery	
Plant and machinery	7%-10%
Office equipment	10%-20%
Computer hardware and hardware	12 5%-33%

Land is not depreciated

Assets in the course of construction are not depreciated until they are available for use An asset is considered to be available for use when it is in the location and condition necessary for it to be capable of operating in the manner intended by management Once constructed and ready for use assets are transferred from assets in the course of construction to the appropriate asset category

The transitional rules of Financial Reporting Standard No 15 have been adopted, which allow the Partnership to maintain the carrying values of the revalued assets (post 1994) at their modified cost

h) Fixed Assets Held under Leases

Where assets are financed by leasing arrangements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright and the corresponding liability to the leasing company is included as obligations under finance leases Depreciation on leased assets is charged to the profit and loss account on the same basis as shown above Leasing payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account

All other leases are 'operating leases' and the relevant annual rentals are charged wholly to the profit and loss account in the year in which they are incurred

i) Stocks and Work in Progress

Stocks and work in progress are valued at the lower of cost and estimated net realisable value Cost is purchase price, or production cost in the case of the products manufactured by the Partnership Production cost consists of direct material and labour costs together with a reasonable proportion of factory overheads, including depreciation, on the basis of normal levels of activity Provision is made for obsolete, slow moving or defective items where appropriate

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

j) Cash flow statement

In accordance with the provision of Financial Reporting Standard No 1, the Partnership has not prepared a cash flow statement because its ultimate parent company, Cadbury Schweppes plc, which is incorporated in Great Britain and registered in England and Wales, has prepared consolidated financial statements which include the financial statements of the Company for the period and which are publicly available

k) Pension Costs and Other Post Retirement Benefits

The Partnership accounts for pensions and post retirement benefits in accordance with FRS 17

The Partnership participates in the Group's defined benefit retirement schemes The Partnership is unable to identify its share of the assets and liabilities in the scheme on a consistent and reasonable basis Therefore the company has applied the provisions of FRS 17 to account for defined benefit schemes as if they were defined contribution schemes and recognises only the contributions payable each year.

l) Financial Instruments

The Partnership uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements The Partnership does not hold or issue derivative financial instruments for speculative purposes

To qualify as a hedge, a financial instrument must be related to actual assets or liabilities or to a firm commitment or anticipated transaction Gains and losses on hedges of existing assets or liabilities are included in the carrying amounts of those assets or liabilities and are ultimately recognised in the profit and loss account as part of those carrying amounts Gains and losses on qualifying hedges of firm commitments or anticipated transactions are also deferred and are recognised in the profit and loss account or as adjustments of carrying amounts when the hedged transaction occurs.

Gains and losses on financial instruments that do not qualify as hedges are recognised as other income or expense If a financial instrument ceases to be a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any gains or losses are recognised as other income or expense

m) Government Grants

Revenue grants are credited to the profit and loss account Capital grants are amortised over the estimated lives of the qualifying assets

2 Annual Financial Statements

The profit and loss accounts cover the 52 weeks from 2 January 2006 to 31 December 2006 and the balance sheets for 2006 and 2005 have been drawn up at 31 December 2006 and 1 January 2006 respectively

3 Ultimate Parent Company

The Partnership's ultimate parent company is Cadbury Schweppes plc, a company registered in England and Wales The results of the Partnership have been consolidated into the Group Financial statements Copies of the Group Financial statements of Cadbury Schweppes plc are available from 25 Berkeley Square, London, W1J 6HB

Notes to the Financial Statements (continued)

4 Turnover and Operating Profit

Turnover and profits principally arose from the manufacture, marketing and sale of confectionery products within the United Kingdom, and entirely from the Partnership's continuing operations

5 Net Operating Expenses

	2006 £'000	2005 (restated – see Note 21) £'000
Distribution costs, including marketing	171,511	167,347
Administrative expenses	135,806	88,740
	307,317	**256,087**

Administrative expenses above include £15,916,000 (2005 £2,663,000) in respect of the cost of business reconfiguration and rationalisation These costs are not fundamental restructuring costs as defined in Financial Reporting Standard No 3 "Reporting Financial Reporting"

On 23 June 2006, we recalled seven of our Cadbury branded product lines The net direct costs of the recall amounted to £28 million This comprised £5 million relating to customer returns, £10 million cost of stock destroyed, £17 million of remediation costs and £5 million of increased media spend, offset by a £9 million insurance recovery

6 Interest receivable and similar income

	2006 £'000	2005 £'000
Interest receivable on external loans and deposits	66	29
Interest receivable on inter-company loans	3,191	5,618
	3,257	**5,647**

7 Interest payable and similar charges

	2006 £'000	2005 £'000
Interest payable on overdrafts and bank loans	646	26
Finance lease interest	2,749	4,155
Interest payable on inter-company loans	7,746	5,641
	11,141	**9,822**

Notes to the Financial Statements (continued)

8 Profit available for distribution

Profit available for distribution is stated after charging

	2006 £'000	2005 £'000
Depreciation on owned assets	29,141	27,367
Depreciation on assets held under finance leases	10,552	10,552
Amortisation of goodwill	4,053	4,386
Operating lease rentals - plant & machinery	4,815	6,057
- other	5,039	3,133
Auditors' remuneration - audit fees	391	222
(Profit) on disposal of fixed assets - within operating profit	(17)	(625)
- within exceptional items	(19,471)	-
Research and development expenditure	5,039	5,306

Total profit on disposal within exceptional items includes a profit from the sale and leaseback of the Minworth Distribution Centre (£16,556,000) and a profit on disposal of the Paisley Distribution Centre (£2,915,000)

9 Pension Arrangements

The Company is a member of the Cadbury Schweppes plc group of companies, which operates group pension schemes for its UK subsidiaries The major scheme is the Cadbury Schweppes plc Pension Fund

The UK pension plans are administered and funded on a Group basis, with contributions fixed based on the position of the overall fund It is not possible to calculate the company's share of the liabilities and consequently, the Partnership has accounted for its contributions to the scheme as if it were a defined contribution scheme

The total pension cost of the partnership, borne on behalf of the partners, was £47,740,000 (2005 £26,900,000), which, together with the pension costs of other subsidiaries in the group schemes, was assessed by qualified actuaries based on the latest actuarial assessment.

This information has been calculated using the measurement principles of IAS 19 which are materially the same as the measurement principles of FRS 17

At the year end, under IAS 19, the group defined benefit pension schemes had a deficit of £204m, of which £16m related to UK pension obligations At 1 January 2006, the group defined benefit pension schemes, under IAS 19 had a deficit of £369m, of which £168m related to UK pension obligations

2006	Rate of Return (%)	Market Value (£m)
Equities	8 25	946
Bonds	4 75	763
Property	7 50	183
Other	5 25	86
		1,978
Present value of scheme liabilities		(1,994)
Deficit in the scheme		(16)

Notes to the Financial Statements (continued)

9 Pension Arrangements (continued)

2005	Rate of Return (%)	Market Value (£m)
Equities	7 7	1,107
Bonds	4 4	449
Property	6 3	148
Other	4 2	58
		1,762
Present value of scheme liabilities		(1,930)
Deficit in the scheme		(168)

2004	Rate of Return (%)	Market Value (£m)
Equities	8 0	965
Bonds	4 8	376
Property	6 7	110
Other	4 0	14
		1,465
Present value of scheme liabilities		(1,703)
Deficit in the scheme before deferred tax		(238)
Notional deferred tax asset		71
Net liability		(167)

The figures above were calculated on the basis of the following assumptions

	% 2006	% 2005	% 2004
Rate of increase in salaries	4 5	4 2	4 5
Rate of increase in pensions in payment	3 0	2 7	2 7
Rate of increase for deferred pensioners	3 0	2 7	2 7
Discount rate for scheme liabilities	5 10	4 75	5 3
Inflation	3 0	2 7	2 7

Further details of the latest actuarial valuation can be found in the Report & Accounts of Cadbury Schweppes plc

Notes to the Financial Statements (continued)

10 Employees and Emoluments

Since the formation of the Partnership on 17 July 2000, employee emoluments were borne by the Partnership although all employees remained employed by the partners On 6 April 2002 the employment of all employees was transferred to Cadbury Trebor Bassett Services Limited, a fellow group undertaking

The average number of employees employed by Cadbury Trebor Bassett Services Limited, on behalf of the Partnership was

	2006	2005
Production	3,866	4,223
Distribution, selling and marketing	1,550	1,212
Administration	512	875
	5,928	**6,310**

Employees' emoluments comprised

	2006 £'000	2005 £'000
Wages and salaries	184,620	167,502
Social Security costs	15,189	15,257
Other pension costs	47,740	26,900
	247,549	**209,659**

Employments costs in 2006 include £30 8m (2005 £12 5m) additional pension funding and £9 1m (2005 £1 8m) redundancy costs

11 Taxation on profit available for distribution

The Partnership is not subject to UK Corporation Tax Tax on the Partnership profits is accounted for in the relevant Partners' financial statements

Notes to the Financial Statements (continued)

12 Distribution to Partners

	2006	2005 (restated – see Note 21)
	£'000	£'000
Distribution of profit before interest to the Partners		
Cadbury Limited	69,891	115,164
Trebor Bassett Limited	13,741	22,641
The Lion Confectionery Company Limited	424	698
	84,056	**138,503**
Distribution of net interest expense available for distribution to the Partners		
Cadbury Limited	(6,555)	(3,472)
Trebor Bassett Limited	(1,289)	(682)
The Lion Confectionery Company Limited	(40)	(21)
	(7,884)	**(4,175)**
	76,172	**134,328**

The profit before interest and net interest expense of the Partnership has been distributed back to the Partners in accordance with the wishes of the Management Committee

13 Intangible Fixed Assets – Goodwill and Intellectual Property

	Goodwill	Intellectual Property	Total
	£'000	£'000	£'000
Cost			
At 1 January 2006	89,169	-	89,169
Additions	-	4,173	4,173
At 31 December 2006	**89,169**	**4,173**	**93,342**
Accumulated Amortisation			
At 1 January 2006	14,032	-	14,032
Charge for the year	4,000	53	4,053
At 31 December 2006	**18,032**	**53**	**18,085**
Net Book Value			
At 31 December 2006	**71,137**	**4,120**	**75,257**
At 1 January 2006	75,137	-	75,137

During the year, the Partnership purchased Intellectual property rights from a fellow Group company

Notes to the Financial Statements (continued)

14 Tangible Fixed Assets

	Freehold land & buildings	Plant & machinery	Assets in course of construction	Total
	£000	£000	£000	£000
Cost or Valuation				
At 1 January 2006	100,866	610,566	57,913	**769,345**
Additions	3,195	38,906	31,339	**73,440**
Transfers from Group companies	-	3,004	-	**3,004**
Disposals	(18,637)	(8,808)	(770)	**(28,215)**
At 31 December 2006	85,424	643,668	88,482	**817,574**
At professional valuation	68,801	-	-	**68,801**
At cost	16,623	643,668	88,482	**748,773**
	85,424	643,668	88,482	**817,574**
Accumulated Depreciation				
At 1 January 2006	(18,745)	(440,297)	-	**(459,042)**
Charge for the year	(2,225)	(37,468)	-	**(39,693)**
Disposals	3,592	7,837	-	**11,429**
At 31 December 2006	(17,378)	(469,928)	-	**(487,306)**
Net Book Value				
At 31 December 2006	**68,046**	**173,740**	**88,482**	**330,268**
At 1 January 2006	82,121	170,269	57,913	**310,303**

Freehold land and buildings include land of £16,328,000 (2005 £21,858,000), which has not been depreciated

Plant and machinery includes vehicles and fixtures and fittings Assets in course of construction include payments on account

As described in the accounting policies, the Partnership as taken advantage of the transitional rules of Financial Reporting Standard No 15 Certain Partnership properties were revalued to £70,710,000, on an open-market basis by Fuller Peiser as at 20 September 1995, and the revised valuations have been incorporated in the financial statements of the Partners from 30 December 1995

If the revalued assets were stated on an historical cost basis the amounts would be as follows

	2006	2005
	£'000	£'000
Land and buildings at cost	59,228	59,228
Accumulated depreciation at 1 January 2006	(18,258)	(17,074)
Charge for the year	(1,184)	(1,184)
	39,786	**40,970**

Notes to the Financial Statements (continued)

14 Tangible Fixed Assets (continued)

Finance Leases

Included in fixed assets are	2006 £'000	2005 £'000
Plant and machinery under finance leases	209,333	211,376
Less accumulated depreciation	(174,321)	(165,177)
	35,012	**46,199**

15 Stocks

	2006 £'000	2005 £'000
Raw materials and consumables	24,548	23,567
Work in progress	23,909	33,297
Finished goods and goods for resale	97,487	119,629
	145,944	**176,493**

There is no material difference between the balance sheet value of stocks and their replacement cost

16 Debtors

	2006 £'000	2005 £'000
Trade debtors	125,229	136,139
Amounts owed by fellow subsidiary undertakings	118,531	73,404
Other debtors	10,086	3,909
Prepayments and accrued income	12,435	12,914
	266,281	**226,366**

17 Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Current obligation under finance leases	19,778	19,154
Trade creditors	73,731	78,641
Amounts owed to Cadbury Schweppes plc	9,322	7,277
Amounts owed to fellow subsidiary undertakings	100,625	103,076
Other taxes and social security costs	43,422	42,511
Other creditors	77,971	91,451
Accruals and deferred income	28,953	16,220
	353,802	**358,330**

Amounts owed to Cadbury Schweppes plc are non-interest bearing Within amounts owed to fellow subsidiary undertakings is £92 8 million which bears interest at market rates

Notes to the Financial Statements (continued)

18 Creditors: amounts falling due after more than one year

	2006 £'000	2005 £'000
Obligations under finance leases	21,588	40,964
Government grants	109	116
	21,697	**41,080**

19 Provisions for liabilities and charges

	Pension provision £'000	Reconfiguration provision £'000	Total £'000
At 1 January 2006	-	3,733	3,733
Charged during the year	30,750	15,916	46,666
Utilised during the year	(30,750)	(13,270)	(44,020)
At 31 December 2006	-	**6,379**	**6,379**

The reconfiguration provision includes a provision of £4,473,000 (2005 £3,051,000) for redundancy costs These provisions will be used within one year

20 Share-based Payments

Certain employees of the Partnership receive share awards which are settled using the equity of the ultimate parent company, Cadbury Schweppes plc The Partnership recognised total expenses of £3m (2005 £2 9m) related to these equity-settled share-based payment transactions during the year

Cadbury Schweppes plc has a number of share option plans that are available to certain senior employees of the company the Bonus Share Retention Plan (BSRP) and the Discretionary Share Option Plan (DSOP) Cadbury Schweppes plc also has a UK share option scheme for all employees of the Partnership Options are normally forfeited if the employee leaves Cadbury Schweppes plc before the options vest Cadbury Schweppes plc also 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 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 and Black-Scholes calculations These valuations take into account factors such as non-transferability, exercise restrictions and behavioural considerations Key fair value and other assumptions are detailed below

Notes to the Financial Statements (continued)

20 Share-based Payments (continued)

Schemes granted in 2006

	BSRP	ISAP	Sharesave
Expected volatility *(1)*	n/a	n/a	22%
Expected life	3 yrs	1-3 yrs	Vesting+5 months
Risk free rate	4 5%	4 2%-4 9%	4 6%-4 8%
Expected dividend yield	2 5%	2 3%-2 5%	2 3%
Fair value per award (% of share price at date of grant)	185 2% *(2)*	93 0%-99 3%	23 8%-33 5%
Possibility of ceasing employment before vesting	-	-	12%-35%
Expectations of meeting performance criteria	40%	n/a	n/a

No grants were made under the DSOP in 2006

Schemes granted in 2005

	BSRP	DSOP	ISAP	Sharesave
Expected volatility *(1)*	n/a	22%	n/a	22%
Expected life	3 yrs	*(3)*	1-3 yrs	Vesting+5 months
Risk free rate	4 5%	4 8%	4 2%-4 9%	4 6%-4 8%
Expected dividend yield	2 5%	3 0%	2 3%-2 5%	2 3%
Fair value per award (% of share price at date of grant)	185 2% *(2)*	23 0%	93 0%-99 3%	23 8%-33 5%
Possibility of ceasing employment before vesting	-	14%	-	12%-35%
Expectations of meeting performance criteria	40%	85%	n/a	n/a

1) *Expected volatility was determined by calculating the historical volatility of Cadbury Schweppes plc's share price over the previous three years*
2) *Fair value of BSRP includes 100% of the matching shares available*
3) *The fair value calculation of a discretionary share option uses an expected life to the point of expected exercise This is determined through analysis of historical evidence exercise patterns of option holders*

The BSRP resulted in a charge of £0 4m in 2006 (2005 £0 3m) DSOP and share save plans resulted in a charge of £2 6m in 2006 (2005 £2 5m)

2006 Details of the share option plans are as follows.

	Balance outstanding at the beginning of year	Granted	Exercised	Cancelled	Balance outstanding at the end of the year	Exercise price for options (in £s)	Weighted average exercise price of options (in £s) (i)	Weighted average contractual life in month of options	Exercisable at year end	Weighted average exercise price of options (in £s) (ii)
a	11,211,699	1,649,651	2,163,012	512,099	10,180,239	3 14-4 47	3 75	35	-	-
b	2,609,875	-	402,651	4,336	2,202,888	2 97-4 83	4 29	61	2,174,423	4 29
c	1,497,500	-	-	27,000	1,470,500	4 39-5 26	4 79	95	-	-

Notes to the Financial Statements (continued)

20 Share-based Payments (continued)

2005: Details of the share option plans are as follows·

	Balance outstanding at the beginning of year	Granted	Exercised	Cancelled	Balance outstanding at the end of the year	Exercise price for options (in £s)	Weighted average exercise price of options (in £s) (i)	Weighted average contractual life in month of options	Exercisable at year end	Weighted average exercise price of options (in £s) (ii)
a	12,481,668	1,801,581	2,557,924	513,626	11,211,699	2 35-3 52	3 28	29	342,774	2 44
b	3,548,399	-	783,791	154,733	2,609,875	2 42-4 22	4 20	62	1,653,623	4 58
c	848,643	659,349	-	10,492	1,497,500	4 39-5 69	4 78	20	-	-

a) Savings-Related Share Option Scheme for employees approved by shareholders in May 1982 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
b) Share Option Plan for Directors, senior executives and senior managers approved by shareholders in May 1994
c) Share Option Plan for eligible executives (previously called the Cadbury Schweppes Share Options Plan 1994, as amended at the 2004 AGM)
(i) Weighted average exercise price of options outstanding at the end of the year (in £s)
(ii) Weighted average exercise price of options currently exercisable at year end (in £s)

21 Partners' Capital

	Cadbury Limited	Trebor Bassett Limited	The Lion Confectionery Company	Total
	£'000	£'000	£'000	£'000
At 2 January 2006	138,700	288,174	7,818	434,692
Prior year adjustment – FRS 20	(2,091)	(411)	(13)	(2,515)
Credit to Equity for Share-Based Payments	2,091	411	13	2,515
At 2 January 2006 (restated)	138,700	288,174	7,818	434,692
Profit for the year	63,336	12,452	384	76,172
Distribution of profit to the Partners	(63,336)	(12,452)	(384)	(76,172)
Credit to Equity for Share-Based Payments	2,199	433	13	2,644
Transferred to the Partners	2,511	874	126	3,510
At 31 December 2006	**143,409**	**289,481**	**7,957**	**440,846**

The Partners have transferred certain assets and liabilities to the Partnership in exchange for an interest in the Partnership

Prior Year Adjustment

The prior year adjustment relates to the implementation of FRS 20 The adoption of FRS 20 has resulted in the recognition of an expense of £2,515,000 in relation to share-based payments and a corresponding recognition of a capital contribution by Cadbury Schweppes plc in reserves

Notes to the Financial Statements (continued)

22 Commitments for Capital Expenditure

	2006 £'000	2005 £'000
Commitments for capital expenditure are as follows		
Contracted for but not provided in the financial statements	4,264	4,501

23 Commitments under Finance Leases

	2006 £'000	2005 £'000
Within one year	19,778	19,154
One to two years	20,362	19,375
Two to five years	734	20,648
More than five years	492	941
	41,366	60,118

24 Commitments under Operating Leases

During the next year, the Partnership is contracted to make payments under operating leases, which mature as follows

	2006		2005	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Expiry Date				
Within one year	-	2	242	1
Two to five years	97	4,840	-	6,066
More than five years	7,059	-	4,536	-
	7,156	4,842	4,778	6,067

25 Contingent Liabilities

Guarantees have been given to the Partnership's bankers totalling £3,216,000 (2005 £3,200,000)

26 Related Party Transactions

The Partnership has taken advantage of the exemption under the rules of Financial Reporting Standard No 8 – 'Related party disclosures' not to disclose related party transactions with other Cadbury Schweppes plc group companies as over 90% of the voting rights of the Partners are controlled by the ultimate parent company, Cadbury Schweppes plc, and the consolidated financial statements of the ultimate parent company are publicly available.

Notes to the Financial Statements (continued)

27 Post Balance Sheet Events

On 10 February 2007, a number of Easter egg lines were recalled as they did not carry the appropriate nut allergy labelling The net cost to the Partnership after insurance is immaterial

On 25 June 2007, our main UK sugar confectionery factory in Sheffield was flooded due to the severe weather conditions which affected much of the country This disrupted production for several weeks The net cost to the Partnership after insurance is immaterial

On 28 September 2007, Cadbury Limited changed its name to Cadbury UK Limited

28 Treasury Risk Management

The principal activity of the Partnership is the manufacture, marketing and sale of chocolate and sugar confectionery products to wholesale and retail outlets in the UK The Company's financial instruments comprise borrowings, loans, cash, other debtors and other creditors No trading in financial instruments was undertaken by the Partnership during the period under review

The main risks arising from the Partnership's financial instruments are liquidity risk, interest rate risk, currency risk and credit risk Details of treasury risk management are outlined in the Report of the Management Committee