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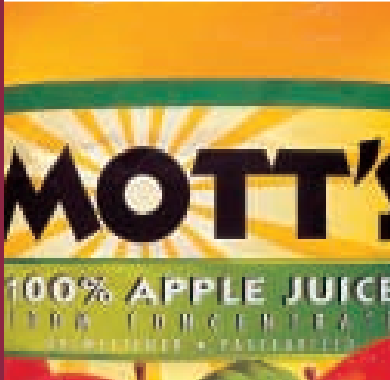

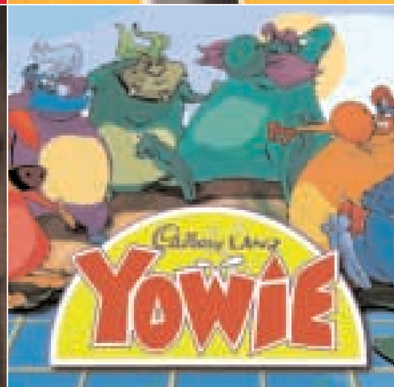

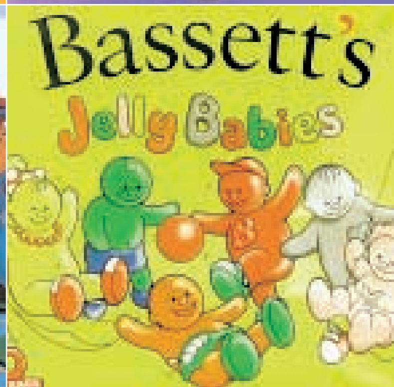

Cadbury Schweppes

Annual Report and Form 20-F 1999

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The images used within this Annual Report and Form 20-F are taken from advertising campaigns and websites which promote our brands worldwide. They demonstrate how we communicate the appeal of our brands in a wide range of markets.

"Sunkist" is a registered trademark of Sunkist Growers, Inc.

This is the Annual Report and Form 20-F of Cadbury Schweppes public limited company for the year ended 2 January 2000. It contains the annual report and accounts in accordance with UK generally accepted accounting principles and regulations and incorporates the annual report on Form 20-F for the Securities and Exchange Commission in the US.

A Summary Financial Statement for the year ended 2 January 2000 has been sent to all shareholders who have not elected to receive this Annual Report and Form 20-F.

The Annual General Meeting will be held on Thursday, 4 May 2000. The Notice of Meeting, details of the business to be transacted and arrangements for the Meeting are contained in the separate Annual General Meeting booklet sent to all shareholders.

The Company undertook a two for one share split in May 1999. All share information for prior periods has been restated.

Cadbury Schweppes' objective is growth in shareowner value. The strategy by which we will achieve this objective is:

– Focusing on our core growth markets of beverages and confectionery

– Developing robust, sustainable market positions which are built on a platform of strong brands with supported franchises

– Expanding our market share through innovation in products, packaging and route to market where economically profitable

– Enhancing our market positions by acquisitions or disposals where they are on strategy, value-creating and available

Managing for Value is the process which supports the achievement of our strategy.

year at a glance

Beverages

– Dr Pepper/Seven Up gained over half a point of market share, growing to 15.9%, the first overall increase since acquisition

– Dr Pepper brand volumes up 5%, increasing share for the 15th year in a row

– Sale of beverages brands in 160 markets completed for nearly $1 billion

– US beverages strengthened through the acquisition of Hawaiian Punch and the Dr Pepper Bottling Company of Texas

Confectionery

– Key chocolate companies' profits up by an average of 9%

– Resurgence in many emerging markets with excellent performances from India and Malaysia

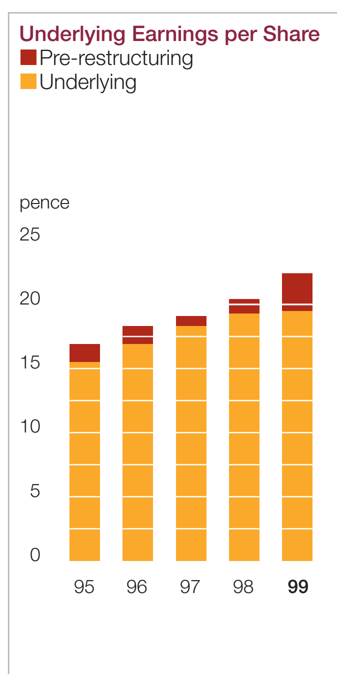
– Acquisition of Wedel, Poland's leading chocolate business

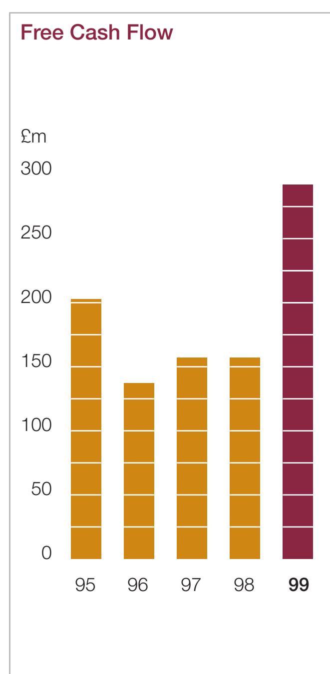
– Successful brand innovation continued with the launch in the UK and Ireland of Cadbury's Miniature Heroes and Cadbury's Yowie

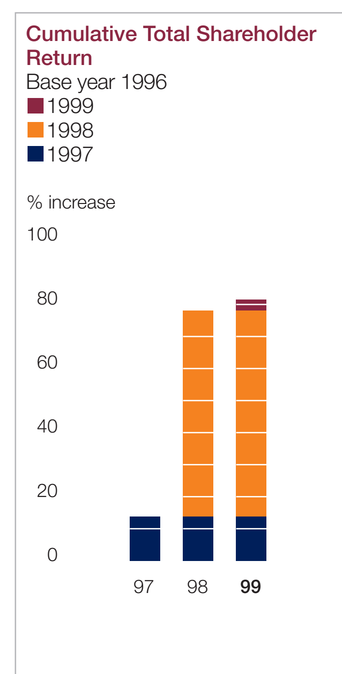
Financial Highlights

	1999	1998	% change As reported	% change At constant exchange rates
Turnover (a)	**£4,234m**	£3,999m	+6	+6
Trading profit (a) (b)	**£685m**	£616m	+11	+10
Trading margin (a) (b)	**16.2%**	15.4%	+0.8	+0.7
Profit before tax and disposals (b)	**£686m**	£628m	+9	+9
Basic earnings per share	**31.7p**	17.1p	+85	+89
Underlying earnings per share (c)	**19.5p**	19.3p	+1	–3
Underlying earnings per share pre-restructuring (b)	**22.5p**	20.4p	+10	+8
Net dividend per share	**10.0p**	9.5p	+5	N/A
Capital expenditure	**£127m**	£163m	–28	–21
Marketing expenditure (a)	**£767m**	£693m	+11	+6
Free cash flow	**£292m**	£157m	+86	N/A
Group employees	**37,425**	38,656	–3	N/A

(a) From continuing operations
(b) Excluding major restructuring costs, goodwill amortisation and exceptional items
(c) Represents basic earnings per share adjusted to exclude exceptional items and gains and losses on disposals of subsidiaries and investments







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1999 saw the further development and strengthening of our business through a number of strategic moves

positioned for the 21st century

1999 was an important year for Cadbury Schweppes, which saw the further development and strengthening of our business through a number of important strategic moves, notably the sale of our non-US beverages brands in 160 markets, the acquisitions of Wedel in Poland and Hawaiian Punch in the US, and the creation of the Dr Pepper/Seven Up Bottling Group in the US.

Business Developments

Over the years, we have expanded the business organically with an emphasis on successful innovation. We have invested in new markets through production and distribution facilities. Acquisitions have been essential in providing us with the scale and platform for growth and have played a particularly major part in the expansion of the beverages business in the US, with the purchases of Canada Dry in 1986, Crush in 1989, A&W in 1993 and Dr Pepper/Seven Up in 1995. Notable confectionery acquisitions over that time were Poulain in France in 1988, Trebor and Bassett in the UK, both in 1989, Allan Candy in Canada in 1995, La Pie Qui Chante in France in 1997 and Wedel in Poland early in 1999. Growth, acquisitions and investments transformed Cadbury Schweppes from a mainly UK and British Commonwealth confectionery business with a single strong mixer beverage brand, into an international business with significant stakes in confectionery and beverages world-wide.

In the 1980's and early 1990's our strategy was to build scale in our core businesses. In the latter half of the 1990's we focused more closely on the creation of shareowner value through the adoption of Managing for Value ("MFV") in 1997. During 1999 our MFV programme was extended throughout the Group, establishing a new discipline to, and understanding of, our management of the business. Growth and scale are important; but in global markets, where competition is intense, a complete understanding of value-creation is essential.

With a clear vision of what value-creation means, we are confident of achieving sustainable earnings growth in 2000 and beyond.

Our value analysis has already had far-reaching consequences. The sale of our beverages brands recognised the comparative disadvantage they suffered in smaller markets. It was in shareowners' best interests to obtain optimum value for them by finding the most

appropriate owner. For those markets where we had an average share of 2.5% and together accounted for just 4% of Group profit we received nearly $1 billion. Their sale produced a result beyond anything we could have achieved in the foreseeable future through our continued ownership. We have retained our beverage brands in those markets where we believe we can achieve sustainable and profitable growth, in particular in the US.

The higher rationalisation charge we have taken in the 1999 financial accounts enables us to address some structural weaknesses in a number of our business units with a view to accelerating our growth.

Prospects

The economic outlook in world markets is bright. The triumph of the market economy, the recovery in Asia, the increasing recognition of shareowner value, low inflation, the opportunities created by technology and e-commerce, together outweigh the negatives of an unproductive start to the World Trade Organisation talks, trade disputes between North America and Europe and unrealistic prices for raw materials arising from the European Union's Common Agricultural Policy.

For our markets of beverages and confectionery, prospects are equally bright. Per capita consumption of confectionery in many parts of the world is well below Western Europe, the huge US beverage market continues to grow and pricing is rising, consumer appetite for innovation and variety is as strong as ever. In a consolidating retail environment, the multiplicity of distribution channels for our products is a strength. With a positive outlook for the world economy and our growing markets as the background, Cadbury Schweppes is well placed to succeed. The market position and variety of our brands – the new management emphasis on value-creating investment and growth – the opportunities to improve our competitiveness and asset utilisation – our balance sheet strength and the momentum of our larger business units, all give us confidence for the future.

Investing in People

Cadbury Schweppes has an excellent tradition and standard of investing in people. We have been in the forefront of human relations practices with our commitment to training and development, succession planning, basing promotion on merit, tackling under-performance honestly but fairly, and with "Investor in People" recognition.

With a positive outlook for the world economy and our growing markets as the background, Cadbury Schweppes is well placed to succeed

Dr Pepper is the leading non-cola trademark in the US, the world's largest soft drink market. Approximately 14 billion gallons of soft drink were consumed there in 1998.

Global competitiveness has required greater diversity and international experience in the management team. The intensity of competitiveness in markets in the 1990's has called for higher personal standards of performance. We needed to establish and accept clearer accountability. The new level of financial incentives must be geared directly and transparently to higher performance and success. Goals must be set which are stretching though achievable. Success in today's markets will only come to management which set themselves aggressive challenges and are prepared to be judged and rewarded accordingly. High levels of performance should attract high rewards. A critical part of our MFV programme has been to raise the level of the performance bar. Only by lifting our aspirations and goals can we meet our financial targets. Our strong corporate culture has had to become more accountable, aggressive and adaptable to ensure our continuing success into the new century.

Community Involvement

Successful companies need successful communities. It is in our interests to contribute in a relevant way to the communities in which we operate. Contributions take many forms and in Cadbury Schweppes' case we have emphasised employment, education, and the regeneration of our inner cities. Society is entitled to expect companies to be responsible corporate citizens. There is no contradiction between value based management and community involvement: consumers want to buy from a responsible company and employees want to work for a company of which they can be proud.

The Board

The practices and duties of boards have been formalised with the adoption of the Combined Code and, most recently, with the publication of the Turnbull Report. The Cadbury Schweppes Board has always had a balance of internal and external directors and we aim to appoint external directors who bring the necessary relevant mix of experience and background.

Ian Hay Davison will be retiring at the AGM. Recently he has been Chairman of the Audit Committee and a member of both the Nomination and Remuneration Committees. We are most grateful for his commitment and contribution to our affairs over the last ten years. David Thompson will become Chairman of the Audit Committee on Ian Hay Davison's retirement.

The Cadbury's Dairy Milk range of recipes offers consumer choice around the world. Brand icons such as the strong use of Cadbury purple and the glass and a half of milk recipe have been used for at least 70 years.

A new campaign for Schweppes was first launched in Australia in December 1998 and shown during 1999 in over 20 countries. It has been the most efficient campaign at generating consumer awareness for Schweppes for many years.

Franz Humer, CEO of F Hoffmann-La Roche Ltd, is Deputy Chairman and Chairman of the Remuneration Committee. He is the senior Non-Executive Director.

I will be retiring following the AGM in May and a new Chairman will be appointed. An announcement of this appointment will be made prior to the AGM.

I would like to close by expressing the Board's gratitude to all employees for their individual contributions to the considerable progress made during 1999, and to the extensive preparations to secure an even more successful future.

Sir Dominic Cadbury

We achieved an encouraging set of results for 1999 with the continuing benefits of the Managing for Value programme

adaptable
accountable
aggressive

Throughout 1999 we adhered to our strategy. We continued to focus on beverages and confectionery, sought to build robust and sustainable geographical positions, supported our brands, searched for innovation, and made acquisitions and disposals where appropriate and value-creating.

Trading Highlights

We achieved an encouraging set of results for 1999 with the continuing benefits from the Managing for Value programme. Sales grew by 5% to £4.3 billion and underlying profit before tax rose 9% to £686 million. Earnings per share, before restructuring, grew by 10% to 22.5 pence.

We took a greater restructuring charge in 1999 of £75 million, as we accelerated our programme of radical improvement to operating efficiencies in our major business units.

Our continuing commitment to the development of our brands and their consumer franchises around the world saw our marketing to sales ratio grow from 17.3% to 18.1%. At the same time, our trading margin increased to 16.2% from 15.4%.

After a slow start to the year, volume trends in the second half improved significantly, as did sales and trading profit. All of our major business units – Dr Pepper/Seven Up, Inc ("DPSU"), Cadbury Ltd, Cadbury Australia and Mott's (together representing nearly 80% of company income) – performed well, with an average growth in trading profit for the full year of 11%. The greater marketing investment delivered increased market shares in all these major business units, a particularly pleasing result.

A strong performance in beverages was led by DPSU in the US which grew market share for the first time since acquisition, driven by outstanding performance from Dr Pepper and other flavour brands, notably Sunkist and A&W.

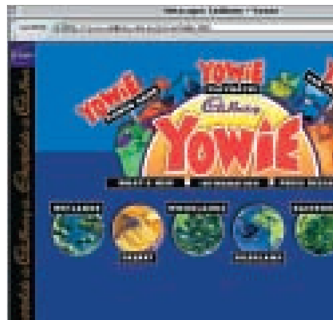
In confectionery, volumes were flat for the full year. However, this disguises a significantly improved second half. While most of our major business units produced strong results, the result was diluted by the performance of a few business units, notably Piasten which lost its Russian export market and Trebor Bassett which has been undergoing significant restructuring. There was a resurgence in many of our emerging markets, with excellent performances from India and Malaysia. We increased sales and reduced losses in Russia and China and we expect the latter to break even this year.

Acquisitions and Disposals

We completed the sale of our beverages brands in 160 markets during the year. The regulatory process continues in a few

The drpepper.com interactive website is designed for consumers who want to know more about current US Dr Pepper activities, including promotions, sponsorships and other brand information. The site offers brilliant graphics and features to encourage repeat visits.

www.drpepper.com



Cadbury Land Yowie has shot into the top ten children's chocolate lines after its successful UK launch in April 1999. The chocolate characters, containing collectable toy animals and puzzles, had already taken Australia by storm in 1997.

www.cadbury.com.au/yowie

countries, notably Canada and Mexico, while discussions with The Coca-Cola Company in Australia have been mutually terminated.

At the same time, the acquisitions of Hawaiian Punch and the Dr Pepper Bottling Company of Texas have enhanced our US operations. The latter has been merged with The American Bottling Company to form the Dr Pepper/ Seven Up Bottling Group under Jim Turner's leadership. The combined business is now a substantial operation and accounts for 58% of DPSU's volumes in the independent bottling system in the US.

As a consequence of these strategic moves our reshaped and strengthened beverages business now focused on the US, Continental Europe and Australia, is much more robust and far less vulnerable.

Cash Generation and Balance Sheet

1999 was an exceptional year for cash generation with free cash flow of £292 million. This, combined with the disposal of our beverages brands, left the Group with an extremely strong balance sheet. We ended the year with £182 million of net debt. We continue to seek opportunities to use the substantial funds at our disposal for the development of the business but, in the meantime, in accordance with the approval from shareholders secured at the last AGM, we have commenced a share buy back programme and, at the year end, had accumulated for cancellation 23.7 million shares at an average price of 361p. At such levels, we believe that this is an effective use of shareholders' funds. We will be seeking to renew the authority to buy back shares at the AGM.

Managing for Value

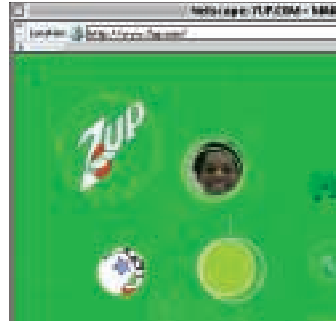
Underlying all our management actions has been the Managing for Value ("MFV") process. This methodology now unites our entire business in the adoption of value-creating strategies. Understanding where value is created and destroyed has underpinned all of our portfolio reshaping.

The MFV process is increasingly focused on two areas:

– The pursuit of profitable growth. We have invested in developing greater understanding of our markets, to ensure the marketing of our brands, their product composition and packaging are all wholly attuned to the needs of today's consumers. At the same time we are pursuing new channels of distribution to ensure the availability of the brands to an ever-widening constituency of consumers.

– The pursuit of cost efficiency. This is critical in an era of low inflation, where we seek to ensure optimal asset utilisation and lowest

All of our businesses are firmly committed to growth – organically from our existing brands, but also with exciting new innovation programmes to drive forward our overall growth agenda



7 UP launched a revamped website in mid-December 1999. In its first month on-line the new site attracted around 2,300 users per day and sold more than 1,000 T-shirts.

www.7up.com

possible cost of operation. To this end we encourage our management teams to be radical in their approach to the reconfiguration of their businesses. The £75 million restructuring charge taken in 1999 will underpin our double digit earnings growth target in future years.

MFV has also produced a wholesale reshaping of our business management processes. We now focus top management's attention on the largest value-creating units in one combined short and long term business plan with clear accountability, both for the development of the existing business and new strategic initiatives. 1999 was the first year in which these major business units have worked within this process and the results have increased our confidence for the future.

Finally, MFV has an important cultural dimension which focuses on our people. We need the best people. Our commitment to invest in order to attract, retain and develop the most talented people we can find, anywhere in the world, remains absolute.

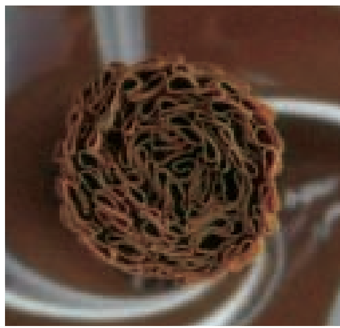
The Future

We look forward to the new century with a sense of exhilaration. We recognise the accelerating pace of change in the external environment but we see opportunities as well as challenges. Developments such as the explosion in e-commerce via the Internet, the concentration of food retailing in many of our key markets and the introduction of the single European currency, all present opportunities for our business.

Our responses will require a high quality of strategic analysis, the development of coherent plans and first-class execution. The combination of our commitment to MFV and the breadth and depth of our pool of management talent, will fulfil that requirement.

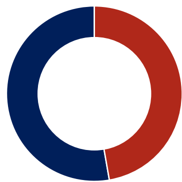
The beverage and confectionery markets for the last 5 years have grown consistently. The only change to that has been the downturn from the emerging market crisis of 1998 and the impact of increased beverage pricing in the US. We remain confident in long term growth prospects in our beverages and confectionery markets. We are already seeing a major uplift in certain emerging markets and know that there are many opportunities to promote growth in developed markets.

We have decades of investment behind our major brands. The value of those franchises with consumers around the world is immense. We understand our consumers and we know that our brands are both loved for their longevity and admired for their relevance in today's world. They are the very foundation of our business but also the platform for future growth.

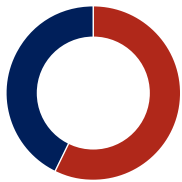


Cadbury is the largest chocolate confectionery brand on the planet. We manufacture our confectionery in 24 markets and sell it in almost 200 countries across the world.

Turnover from continuing operations £4,234m
■ Beverages ■ Confectionery



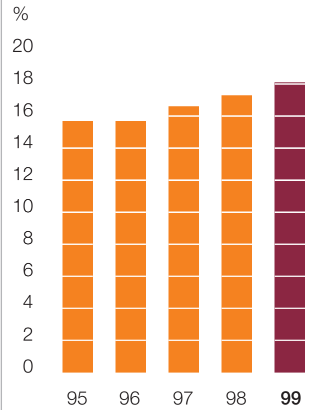
Trading profit from continuing operations* £685m
■ Beverages ■ Confectionery



*Excluding major restructuring costs, goodwill amortisation and exceptional items

A major TV advertising campaign helped launch Cadbury's Miniature Heroes in the UK, ensuring it became one of the fastest selling new confectionery products of 1999, quickly challenging for top honours in the important twistwrap market.

Marketing Expenditure as a Percentage of Turnover*



*From continuing operations

We see many new opportunities in the exploitation of new channels through which we can reach the consumer. We work on the simple principle that product in front of people creates the impulse to buy.

The opportunities to harness the power of Information Technology and the Internet to reduce our cost base are significant. We have been centralising IT strategy and management over the last 18 months, and are in the process of reducing our IT management to three Regional Centres. We are working towards common business processes based on SAP and are also in the process of rationalising and integrating all of our SAP systems. This will be combined with the introduction of a global telecommunications system and our own world-wide knowledge intra-net.

The combination of all these activities will create a system infrastructure which allows us to transfer know-how and best practice immediately across our entire organisation and to even the smallest of units. It will also mean better use of our IT investment for a lower operating cost.

E-commerce is not a structural threat to the industry within which Cadbury Schweppes competes. We are developing our own E strategy in three areas: distribution, notably with leading customers; direct consumer marketing such as E-gifting and E-procurement, to reduce our supply chain costs.

So, we have many reasons to be confident about the prospects for Cadbury Schweppes. We have the strength of our revised portfolio, and the momentum of our key businesses within it, to drive Cadbury Schweppes forward. We have a value commitment from our business units around the world, linked and driven by the MFV process.

Underpinning all this we have the strengthening of the business which the accelerated restructuring programme will bring to our cost base, the first benefits of which we will start to harvest this year.

In addition, all of our businesses are firmly committed to growth – organically from our existing brands, but also with exciting new innovation programmes to drive forward our overall growth agenda. We feel, as a management team, in robust condition and look to the future with confidence.

John Sunderland

gulp fizz* pop!

The Market

The beverage market is dynamic and growing around the world, driven by heavy investments in consumer marketing and distribution. The global beverages market is estimated to be worth around $165 billion.

We are the third largest soft drinks company in a market focused on strong international, regional and local brands. We are primarily a brand owner, licensing our brands to independently owned bottling operations (certain of which are affiliated to competitors). In some countries we own our bottling operations and we have joint ventures with commercial/financial partners in others.

Our core market is the US where three major businesses are based: Dr Pepper/Seven Up ("DPSU"), the Dr Pepper/Seven Up Bottling Group ("DPSUBG") and Mott's. Following the sale of our beverages brands in 160 markets, our non-US beverages business is focused on Continental Europe and Australia. Our other business unit is Bromor in South Africa which primarily focuses on concentrated beverages.

Our brands include Dr Pepper, Schweppes, Canada Dry, A&W, Squirt, Oasis and, in the US and Puerto Rico only, 7 UP. The Mott's apple brands, Clamato juices and a variety of speciality products are made for the North American market and for export. Our brand range also includes Gini and Trinaranjus in Europe and the Oros and Energade range in South Africa.

Objectives and Strategy

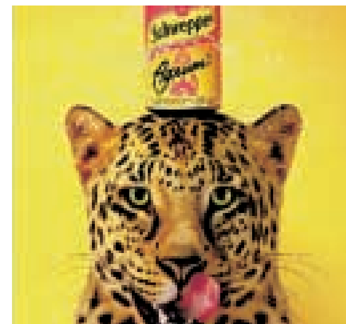
Our objective is to double the financial returns from our business every four years by providing high quality, consumer-preferred refreshment beverages and fruit-based snacks in selected markets.

We have an outstanding portfolio of brands. We will build these brands by consistent investment in consumer communication and innovation in product, packaging and distribution.

We are committed to value growth and will seek additional value-creation opportunities including acquisition of brands and improved distribution.

Our beverages business is managed as a product-based stream with a small central management team at Group Headquarters in London. The role of the stream is to deliver the Group's objectives through driving strategy development and acquisitions and supporting execution by business units.

Right: The launch of a new Schweppes campaign has enhanced brand awareness and image, using the distinctive personality and style of a real leopard – that talks!

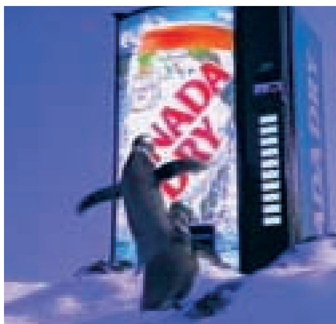


Left: This popular and savoury tomato cocktail beverage is being repositioned for the rapidly growing US adult Hispanic population in 2000.

Above: This new festive, fast and upbeat commercial for Dr Pepper is aimed at a general audience, with an emphasis on the fast-growing US Hispanic market.

Right: More than 1,000 consumers – mainly within the target audience of 12 to 24 year olds – requested T-shirts like the one American actor Orlando Jones wears in the new series of 7 UP commercials within a month of the first airing.

Right: Canada Dry, the market share leader in ginger ale, continues to grow at three times the rate of the carbonated soft drink category in the US. This growth is being supported through national media advertising and new creative executions for 2000.

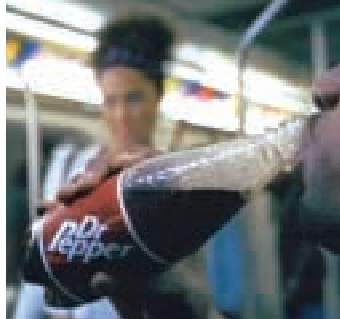


Left: A&W uses humour to target men aged 18-34. The “Thickheaded” campaign helped A&W grow over three times faster than US carbonated soft drinks and 27% faster than the root beer category in 1999.

Left: Mott’s continues to drive growth in the apple sauce category through innovation in the single-serve apple sauce segment, introducing new Fruitsations flavours in 1999. Mott’s sales in this segment have increased 19% compared to a year ago.

The beverage market is dynamic and growing around the world, driven by heavy investments in consumer marketing and distribution

John Brock
Managing Director
Beverages Stream



Far left: This Dr Pepper advertisement is aimed at urban teens and young adults, with an emphasis on African-American consumers.

Left: As the US' number one fruit punch in Nielsen-measured channels, Hawaiian Punch has opportunities in new areas like school cafeterias.

1999 Trading Performance

Volume in continuing businesses was up 6%, with sales rising 8% and trading profit 15%. An excellent set of results also reflected an increase in the trading margin to 19.6% from 18.4%.

The good performance from all business units was led by DPSU, which gained over half a point of market share, growing to 15.9%, the first overall increase since acquisition.

DPSU enjoyed an outstanding 4th quarter and, for the year as a whole, grew at twice the rate of the market. Dr Pepper was up 5%, increasing share for the 15th year in a row, but even more pleasing was the performance of the flavours category which also grew 5%, with excellent performances from brands such as Sunkist, Welch's, Canada Dry and A&W. 7 UP grew in the 4th quarter following the launch of a new advertising programme.

Mott's had a particularly strong second half, which produced an overall profit increase for the year of 12%.

Despite the uncertainty generated by the disposal programme, all of our beverage businesses outside the US performed well – a tribute to the management and employees of these businesses.

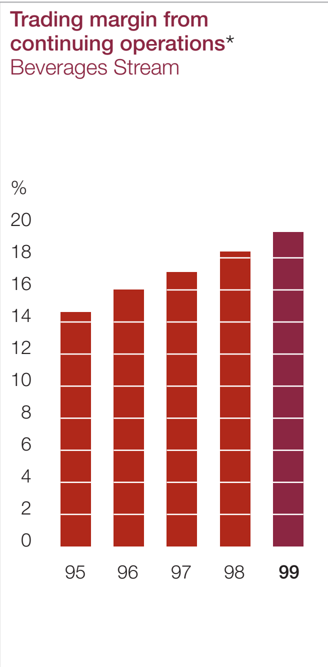
DPSUBG, our American bottling associate also saw good volume growth, but profitability of the mid-Western division, formerly The American Bottling Company ("ABC"), was impacted by delays in the implementation of its manufacturing consolidation programme.

Strategic Developments

The most far-reaching development was the sale of our beverages brands in 160 markets. This disposal has enabled us to focus more on our remaining strong businesses.

During the year we acquired the Hawaiian Punch brand, a US-based tropical flavoured non-carbonated soft drink which is the clear leader in its segment. Importantly it dovetails into DPSU, which sells it as a soft drink, and Mott's, which sells it as a juice. Integration of marketing, sales and production has gone smoothly and volumes have exceeded our expectations.

We also completed the acquisition of the Dr Pepper Bottling Company of Texas ("DPBCOT") together with our partner, the Carlyle Group. DPBCOT has now been combined with ABC to form DPSUBG. This new company is by far the largest independent bottling company in the US, bottling and distributing nearly 60% of DPSU's volume in that sector. Significant management reorganisation has been put in place for the three regions.

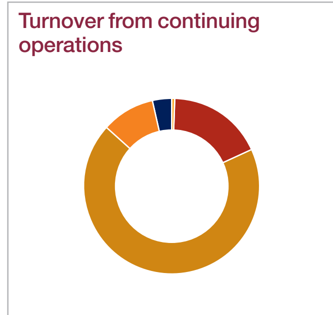


	1999 £m	1998 £m	% change As reported	% change At constant exchange rates
Turnover from continuing operations	**2,001**	1,830	+9	+8
Trading Profit from continuing operations*	**392**	336	+17	+15

	Continuing operations Turnover 1999 £m	Turnover 1998 £m	Trading Profit* 1999 £m	Trading Profit* 1998 £m
UK	**11**	11	**(18)**	(16)
Europe	**352**	340	**40**	37
Americas	**1,371**	1,225	**339**	290
Pacific Rim	**196**	189	**22**	17
Africa and Others	**71**	65	**9**	8

UK Europe Americas Pacific Rim Africa and Others

*Excluding major restructuring costs, goodwill amortisation and exceptional items



These two acquisitions have strengthened our US business and demonstrate our continuing commitment to this market.

We continue to develop Managing for Value ("MFV") initiatives – and in 1999 this was particularly true for DPSU and Mott's. DPSU has driven MFV deep into its structure. Sector initiatives have included 7 UP strategy with encouraging early indications of success.

Mott's has piloted a process of driving the MFV programme. This has led to a radical review of our strategy in the Red Juice market, where we have a strong position with our Clamato brand.

Good Growth

We have an outstanding portfolio of brands. To ensure good growth we invest significant sums in consumer communication and innovation in product, packaging and distribution.

Dr Pepper advertising has had a consistent reputation for excellence over many years. In 1999 other DPSU brands launched major new campaigns – notably 7 UP, A&W and Sunkist.

We invested heavily behind the new Schweppes campaign featuring a real leopard. This campaign will continue in the countries where we retain brand ownership.

Product and packaging innovation continued with focus on our principal brands. Packaging and formulation of Hawaiian Punch was improved as we moved the brand into our systems.

Schweppes "Agrum", a citrus flavour, was introduced in France with great success and successful line extensions were made to our Oasis brand in France and Italy and our Energade brand in South Africa.

Further developments were made to our Fruitsations range at Mott's including new flavours and our joint launch of Fruitsations candy with our sister company, Trebor Allan in Canada.

Cost Efficiency

We continue to invest in productivity improvements in those markets where we own production and distribution capacity ourselves or through joint ventures. For much of 1999 our main focus was in the Mid-Western Division of DPSUBG, the old ABC, and in the integration of Hawaiian Punch. Late in the year we also announced a restructuring of our Spanish business.

crunch/
(chew)
“yummy”

The Market

The world-wide confectionery market is worth over $100 billion. It is bigger than the coffee market and bigger than snacks and biscuits combined. Confectionery has universal appeal, covers all markets, demographies and cultures. It is great to give, to share, to enjoy alone and is sold in a wide range of outlets reflecting the impulse and snacking nature of consumption.

We are number four in the global confectionery market with a strong presence in both the chocolate and sugar sectors through a mixture of global, regional and local brands. The Cadbury “Masterbrand” endorses most of our chocolate products and is one of the best known confectionery brands in the world. Our sugar products are sold internationally under the Trebor, Bassett, Pascall and Cadbury’s Eclairs brands. While we seek to grow our global confectionery business through the development of our existing brand portfolio, we continue to innovate in adjacent categories which compete for similar eating occasions and similar disposable income and bring these brands to market. To date, many of these developments have been through licence partners.

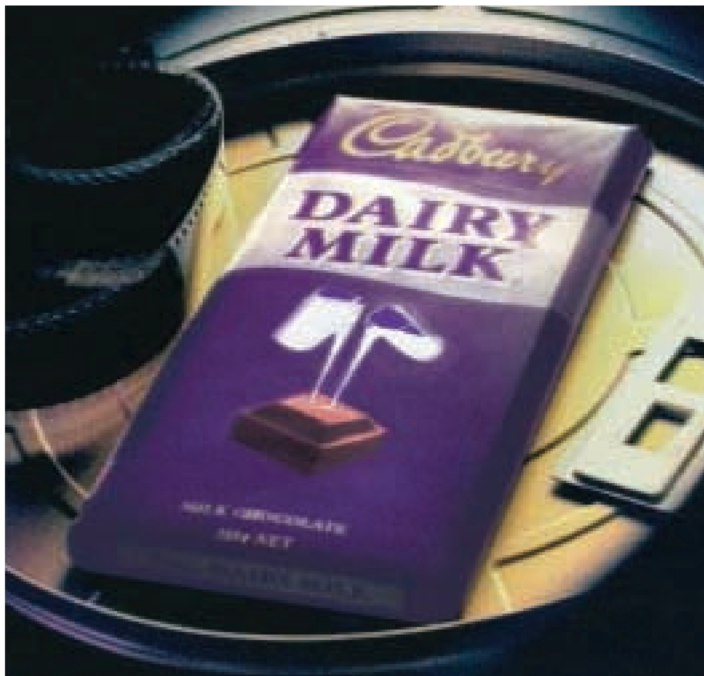
Our Objectives and Strategy

Our objective is to meet the Group’s doubling value goal through profitable growth of our global business, a mix of developed and emerging markets by investing in strong brand franchises to earn high margins and cash flow, growing through innovation and pursuing acquisitions and disposals to strengthen our portfolio.

The driver of value growth is sustained top line volume growth based on differentiated brands supported by strong marketing programmes. The business must be competitively cost advantaged in both operations and supply.

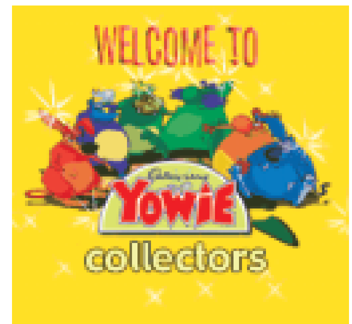
The confectionery market around the world continues to evolve and is particularly influenced by the fast changing lifestyles in developed markets and long term growth in consumer spending in developing markets. These represent both challenges and opportunities to our business; Cadbury Schweppes intends to remain at the forefront of these developments.

Our confectionery business is managed as a product-based stream with a small central management team based at Group Headquarters in London. The role of the stream is to ensure that the business units have and deliver on their value-maximising strategies, develop stream-wide business models to strengthen the Group’s participation in the confectionery market and co-ordinate business unit best practice.



Right: The Cadbury Land Yowie website has been a great success with children of all ages logging on to learn about the animals they are collecting, swap animals with others and win prizes by playing the fun games on offer.

www.yowie.co.uk



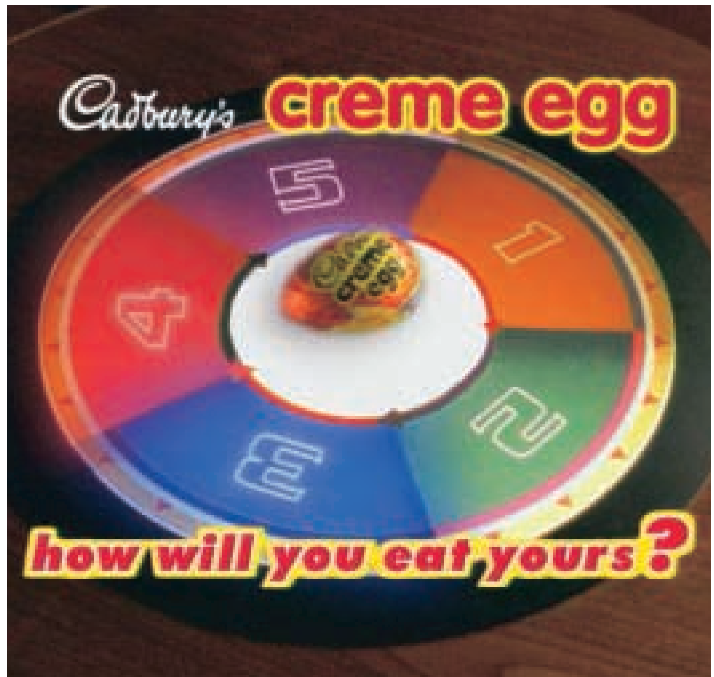
Left: Bassett's & Beyond is a new children's brand launched in the UK, bringing together 54 products in a magical world of adventure. Its website theme ties in with the TV advertising.

www.bassettsandbeyond.com

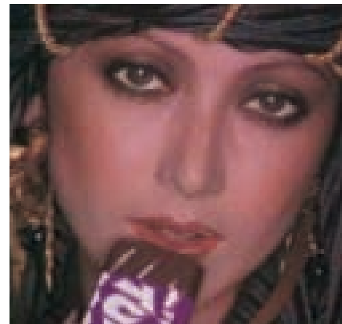
Above: Following on from a very successful change to new global packaging graphics and new wrapping, the "Chocolate Is..." television campaign has contributed significantly to a record 70% market share of the moulded chocolate market in New Zealand.

Right: The much-loved TV ad campaign "how will you eat yours?" for Cadbury's Creme Egg is back from January 1 to Easter 2000 with a new execution aimed at reinforcing its traditional position during that time as the UK's number one chocolate self-eat product.

www.cremeegg.co.uk



Right: In 1999 Cadbury broadcast its well-loved Fry's Turkish Delight ad campaign first shown in the 1980's. As a result, sales of Turkish Delight increased by more than 40%.



Left: Cadbury's sponsorship of the UK's favourite television programme Coronation Street continued to prove an important vehicle in which to promote its key brands and also launch major new products such as Miniature Heroes.

Left: The new "Vendor" ad campaign for Cadbury's Dairy Milk is playing a key role in driving category penetration in India by making chocolate culturally and socially relevant to the consumer's lifestyle. The brand grew 42% in volume compared to a year ago and gained 4.5 points in market share.

The world-wide confectionery market is worth over $100 billion and is bigger than the coffee market and snacks and biscuits combined

Ian Johnston
Managing Director
Confectionery Stream

Far left: Cadbury's UK presence marketing programme continued with new eye-catching kiosks including this stunning example at Sheffield's Meadowhall Shopping Centre.

Left: Bassett's Fundays is a range of 25 of the UK's favourite traditional sweets sold in family share bags.

1999 Trading Performance

Confectionery volumes were flat for the full year. This disguises a 3% decline in the first half but a significantly improved 3% growth in the second. Trading profit showed a similar profile, up 4% for the year, but up 6% in the second half. Margins grew to 13.1%.

Our commitment to brands remains as resolute as ever, with growth in marketing investment of 7% and the marketing to sales ratio to 9.5%.

Most of our major business units produced strong results, with our key chocolate companies growing profits by an average of 9%. There was also a resurgence in many of our emerging markets, with excellent performances from India and Malaysia.

All the first half under-performers improved in the second half, with the exception of Trebor Bassett which is implementing a major business reconfiguration programme. This combination of restructuring and rationalisation programmes impacted volumes and profits but is laying a strong foundation for the future.

Our Russian business increased volumes by 5% and reduced losses. China had an excellent year, growing volumes over 90% and reducing losses, and is on track to break even during 2000.

Strategic Developments

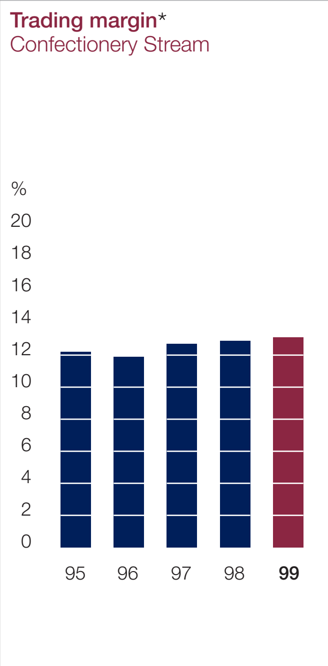
Early in the year, we completed the acquisition of Wedel, the leading chocolate confectionery business in Poland. Wedel has been successfully integrated with our existing business Cadbury Poland and overheads have been reduced.

In April, our Dutch business completed the sale of its production facilities in Breda and Harlingen. This disposal has allowed us to focus on building the branded business, and a new sales and distribution business has been created in Holland. Products are now produced in factories across the EU.

Good Growth

In 1998, we began the global re-launch of the Cadbury's Dairy Milk Megabrand. Starting in the UK and Ireland in 1998, this was extended to 25 different markets around the world in 1999, generating volume and market share gains in a number of countries. The Australian re-launch was supported by the launch of Breakaway, an innovative moulded chocolate bar containing a wafer biscuit. These initiatives drove a 6% growth in moulded volumes for the year. In the UK our share of the moulded category grew to over 50%.

Following the success of Cadbury "Favourites" in Australasia, miniature versions of the best-loved Cadbury brands were also successfully launched in the UK under the Cadbury's

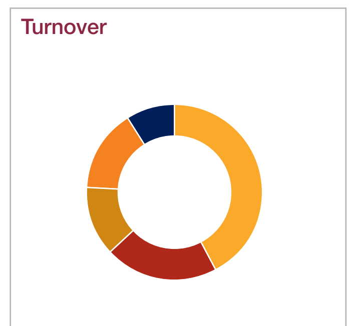


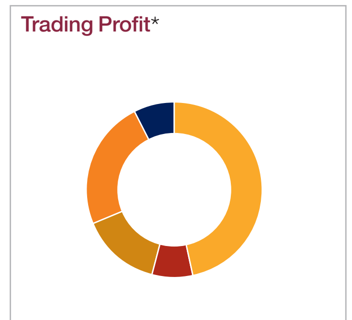
	1999 £m	1998 £m	% change As reported	% change At constant exchange rates
Turnover	**2,233**	2,169	+3	+3
Trading Profit*	**293**	280	+5	+4

	Turnover 1999 £m	Turnover 1998 £m	Trading Profit* 1999 £m	Trading Profit* 1998 £m
UK	**943**	948	**137**	134
Europe	**465**	453	**22**	23
Americas	**286**	265	**42**	43
Pacific Rim	**339**	304	**70**	58
Africa and Others	**200**	199	**22**	22

UK Europe Americas Pacific Rim Africa and Others

*Excluding major restructuring costs, goodwill amortisation and exceptional items





Miniature Heroes brand. Heroes leverages the Cadbury Masterbrand to maximum effect by using our ownership of the Cadbury purple and the combination of miniature versions of 8 top selling Cadbury countlines. Heroes has been an instant winner in the market with annualised sales levels running at over £50 million, extending our clear leadership of the fast growing twistwrap sector.

In the UK, Trebor Bassett rationalised its adult's and children's ranges and re-launched them under the Bassett's Fundays and Bassett's & Beyond umbrella brands respectively.

Cadbury's Eclairs, a strong product in many developed and emerging markets, was launched in Malaysia and saw strong growth in China and India.

We continued to develop more profitable and alternative distribution outlets for our products taking advantage of the impulse nature of confectionery consumption and the changing lifestyles of consumers. In Australia, over 2,500 new retail accounts were opened during the year and Cadbury has been selected as the official supplier to the Sydney 2000 Olympics.

The Cadbury brand in both the UK and Australia further extended its presence in the ice cream markets through licensing arrangements and in Australia, the range secured the number two market position.

Excellent progress was made in other related product categories ranging from beverages to biscuits and cakes to desserts.

Cost Efficiency

As part of the Managing for Value process, significant potential cost benefits have been identified both within individual businesses and on a stream-wide basis, which are being pursued aggressively. These opportunities exist in many areas including purchasing, manufacturing, brand building and new product development.

A major business reconfiguration at Trebor Bassett was continued during the year seeing the separation of the own-label business as a stand-alone business, a 40% reduction in the core branded range and extensive preparation ahead of the closure of two of the six factories during 2000. Also in the UK, Cadbury Ltd announced a 13% reduction in the workforce as part of a major upgrade and automation programme.

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2 Description of Business

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2 Description of Business

Introduction

Cadbury Schweppes plc (the "Company") and its subsidiary and associated undertakings (the "Group") are principally engaged in the manufacture and distribution for sale of branded beverages and confectionery, and related foods, supplied through wholesale and retail outlets of the confectionery, licensed, catering and grocery trades in almost 200 countries throughout the world. The Group is focused on the beverages and confectionery businesses, two closely related consumer markets, and manages an extensive portfolio of brands. In 1999, the Group had net sales from continuing operations of £4,234 million and trading profit from continuing operations before major restructuring costs, goodwill amortisation and exceptional items of £685 million, of which 47% of net sales and 57% of trading profit were derived from the Beverages stream and 53% and 43%, respectively, were derived from the Confectionery stream.

Group Strategy

Cadbury Schweppes' governing objective is growth in shareowner value. The progress of the Group in this respect is measured against three targets: to increase earnings per share by at least 10% every year; to generate £150 million of free cash flow every year and to double the value of shareowners' investment within four years. In pursuit of this goal, the Group's strategy is based on: focusing on the core growth markets of confectionery and beverages; developing robust and sustainable regional positions built on a platform of strong brands; growing the business through innovation in products, packaging and route to market; and developing the portfolio through value-creating acquisitions or disposals.

The business process by which the strategy is being implemented is Managing for Value ("MFV"). Introduced into the Group in the Spring of 1997, MFV is a total business approach to growing shareowner value. Value Based Management is the systematic process which has been put in place to identify the generators of economic profit for the Group and hone strategic focus. Fundamental change is taking place throughout the business through a programme to sharpen the management culture; develop an outstanding management team; and introduce new remuneration plans to align more closely the interests of management with those of shareowners.

Business Segments

The Group's businesses are divided into two product streams: beverages and confectionery.

Beverages Stream

In beverages, the Group's strategy is to develop and expand the markets for its various brands by using the most efficient and value-creating route to market; this may take the form of licensing agreements, partnership arrangements or company owned bottling operations.

During 1999, the Group disposed of its beverages brands in 160 markets. The beverage operations are now focused on the US, Continental Europe and Australia. The disposal of operations in a small number of countries, principally Canada and Mexico, is subject to regulatory approval.

The Beverages stream's principal products are carbonated soft drinks, mineral waters, still drinks, concentrates and syrups. Schweppes, Dr Pepper and 7 UP are the Group's key beverage brands. 7 UP is owned in the US and Puerto Rico only. Important regional and local beverage brands include Crush, Canada Dry, A&W, Squirt and Oasis. The Mott's apple brands, Clamato juices and a variety of speciality products are produced for the North American market and for export. The brand range includes Solo and the Cottee's range in Australia and Gini and Trinaranjus in Europe. Important licensed products include Sunkist and, in the US, Crystal Light, Country Time and Welch's.

Through its Beverages stream, the Group operates primarily as a licensor, selling concentrate and syrups to independently owned bottling and canning operations (certain of which are affiliated

with competitors) to which it also provides marketing support and technical manufacturing oversight. The processes and operations of these independently owned bottlers and canners are monitored by the Group to ensure high product standards. The Beverages stream has bottling and partnership operations in 10 countries and licenses its brands in a further 21 countries around the world.

In Australia, Belgium, Mexico, Portugal, South Africa, Spain and the US (for Mott's), the Group manufactures, bottles, markets, sells and distributes its soft drinks. In the US, the Group has an ownership interest in the Dr Pepper/Seven Up Bottling Group ("DPSUBG"), an independent bottling company operating in Texas, California and 17 other Western and Midwestern states. In France and Germany, the Group has other stakes in independent bottling operations.

In those countries where the Group operates as licensor, the Group enters into licensing agreements with local bottlers. In the normal course of business, changes to these agreements are made to reflect changing business conditions, including the addition or deletion of certain brands.

Aside from non-carbonated beverages in the US, sales of the Group's products are made through the Group's or independent bottlers' sales forces. In the US, sales of Mott's products and a limited range of carbonated beverages are made through independent brokers.

The Group's products are sold through many different outlets from licensed and grocery stores, garage forecourts (gas stations) and convenience stores to vending and fountain equipment at leisure, food and entertainment venues.

The Beverages stream's products are sold in cans, glass bottles, plastic bottles and aseptic packages.

The volume of sales in the soft drinks business can be affected by weather and is, to some extent, seasonal, peaking in the summer months in many countries and at the time of festive holiday occasions such as Christmas. The seasonality of the Group's soft drinks business complements, to some degree, that of its confectionery business which has a seasonal bias towards the colder months, so that fluctuations at the Group level are reduced.

Confectionery Stream

In chocolate and sugar confectionery, the Group's strategy is to build strong positions in prioritised markets through internal growth and value-enhancing acquisitions. In addition, the Group seeks to identify best practice within its operations and implement it across the stream to realise efficiencies and enhance competitiveness.

Through its Confectionery stream, the Group is one of the leading international manufacturers of both chocolate and sugar confectionery, with manufacturing plants in 25 countries and sales in a further 170. The Confectionery stream produces and markets a broad range of chocolate and sugar confectionery brands in the form of bars, blocks, bagged products, rolls, boxed assortments, chocolate eggs and novelties.

Cadbury is a leading international brand name in chocolate confectionery. Chocolate confectionery is sold around the world under the Cadbury name and includes brands such as Cadbury's Dairy Milk, TimeOut, Picnic and Roses. The Group's other chocolate confectionery brands include Poulain and Bouquet d'Or in France, Piasten in Germany, Wedel in Poland, and MacRobertson and Red Tulip in Australia. In the US, certain confectionery products under the Group's Cadbury, Peter Paul and York brands are manufactured under licence.

The Group believes that it is one of the two largest sugar confectionery businesses globally (excluding chewing gum), based on sales value. Sugar confectionery is sold internationally under the Trebor, Bassett and Pascall brands and includes products such as Cadbury's Eclairs, Trebor

Confectionery Stream continued

Softmints, Bassett's Liquorice Allsorts and Bassett's Jelly Babies. Other important regional sugar confectionery brands include Barratt, Maynards and Sharps in the UK, Stani in Argentina, Allan in Canada and the US, La Pie Qui Chante and Carambar in France and Dulciora in Spain.

The Group's confectionery products are sold primarily through grocery stores, confectionery outlets, garage forecourts (gas stations) and kiosks. In its principal markets, the Group's confectionery products are sold and distributed to customers through the Group's own sales and distribution organisations.

The chocolate confectionery business has a seasonal bias towards the colder months and special gift occasions such as New Year, Mother's Day, Easter, Hallowe'en and Christmas.

Group Development

The Group has developed its business both through organic growth of existing brands and products and through acquisitions, investments and contractual arrangements with other parties which have strengthened its operations and its portfolio of brands.

During the past five years, the Group has spent a total of £1,849 million on acquisitions and £997 million on capital expenditure. These activities have included a number of significant acquisitions and investments to expand existing brands in the Group's historical markets as well as new markets such as Poland, China and Russia. During this period, the Group has increased turnover from continuing operations to £4,234 million in 1999 from £3,791 million in 1995 and increased trading profit before major restructuring costs, goodwill amortisation and exceptional items to £685 million in 1999 from £506 million in 1995.

1999

On 4 January 2000 the Group announced that it had purchased, at the end of 1999, the 25% minority stake in Cadbury Food Beijing. The Group now owns 100% of Cadbury Food Beijing.

On 8 October 1999 the Group announced the completion of the acquisition of the Dr Pepper Bottling Company of Texas ("DPBCOT") for $691 million. DPBCOT was combined with The American Bottling Company ("ABC"), which had been created by Cadbury Schweppes and The Carlyle Group in 1998, to form the largest independent soft drinks bottler in the US. The new company, Dr Pepper/Seven Up Bottling Group, Inc. ("DPSUBG"), bottles and distributes nearly 60% of Dr Pepper/Seven Up's ("DPSU") volume in the independent bottling system and 24% of total DPSU volumes. Cadbury Schweppes owns approximately 40% of DPSUBG, The Carlyle Group owns 53%, with the remainder held by Jim Turner, Chief Executive Officer and President of DPSUBG, and management. Cadbury Schweppes' total equity investment in DPSUBG was $203 million. In addition, Cadbury Schweppes purchased a $150 million high yield bond issued by DPSUBG.

In December 1998 the Company agreed to sell its soft drink brands outside the US, France and South Africa to The Coca-Cola Company ("TCCC"). In May 1999 the sale agreement was amended to exclude the European member states other than the UK, Ireland and Greece. Norway and Sweden were also excluded. The sale of these brands in 155 markets was completed in July 1999 for a cash consideration of $705 million. In September 1999, the Company sold its carbonated beverages brands in New Zealand to TCCC. Regulatory review continues in a few countries, including Canada and Mexico. Discussions with respect to the sale of these brands to TCCC in Australia have been mutually terminated. In September 1999 the Company's subsidiary, Cadbury Schweppes (South Africa) Limited, sold its carbonated beverages business in South Africa and certain other markets to TCCC for $248 million (£153 million).

On 15 April 1999, the purchase of the Hawaiian Punch brand was announced for $203 million.

Hawaiian Punch is the clear leader in the tropical flavoured non-carbonated soft drinks market in the US. Net sales for Hawaiian Punch were $133 million for the year ended 30 June 1998. Hawaiian Punch is managed by DPSU but is manufactured and distributed by both DPSU and Mott's. 70% of the volume is sold as concentrate and is distributed through DPSU bottler networks. The remaining 30%, sold as ready to drink juice, is sold through Mott's broker and warehouse networks.

On 1 April 1999, the Group annnounced that its Dutch subsidiary, Cadbury Faam, had completed the sale of its Dutch production facilities in Breda and Harlingen. The disposal allows Cadbury Schweppes to focus on building its branded business in the Dutch and Scandinavian markets through the formation of a sales and distribution operation based in Holland.

On 29 January 1999, the Group acquired Wedel, Poland's leading chocolate confectionery brand and related assets for $77 million. The business had sales of $80 million in 1997. During 1999, Wedel was successfully integrated with Cadbury Poland.

1995 to 1998

At the end of 1998, the Group acquired the minority interests in Trebor Allan Inc. in Canada, Jaret International (CS) Inc. in the US and Piasten in Germany.

In December 1998, DPSU entered into a multi-year agreement with Pepsi Bottling Group ("PBG"), designed to ensure the future growth and security of DPSU soft drinks brands in the PBG system.

In February 1998, the Group announced the establishment of an associate to invest in soft drinks bottling in the US. In May 1998, the new associate company, ABC, acquired two independent bottling groups in the Midwest, Beverage America and Select Beverages, for a total cash consideration of $724 million. In November 1998, ABC acquired the Cotton Club Bottling Company of Cleveland, Ohio. The Group's share of the equity of ABC was 39.3% with the balance held by an investment partner, The Carlyle Group.

In January 1998, the Group announced the signing by DPSU of an agreement with Coca-Cola Enterprises, Inc. ("CCE") pursuant to which CCE will continue to manufacture and distribute Dr Pepper products in the US until at least 31 December 2005 and certain other DPSU brands until at least 31 December 2001.

In December 1997, the Group acquired the assets of La Pie Qui Chante, giving the Group joint leadership position in sugar confectionery in France. In February 1997, the Group purchased Food Industries Development Co. ("Bim Bim"), an Egyptian based confectionery company. In January 1997, the Group purchased an 80% interest in Jaret International (CS) Inc., a US confectionery distribution business.

Between 1987 and February 1997 the Group held a 51% interest in its bottler in Great Britain, Coca-Cola & Schweppes Beverages Ltd ("CCSB"). The Group completed the sale of its interest in CCSB to CCE in February 1997.

In 1996, the Group acquired the assets of Neilson Cadbury, a Canadian chocolate confectionery manufacturer. Since 1987, Cadbury chocolate confectionery brands had been distributed in Canada under licence to this company. In 1995, the Group acquired control of the Allan Candy Group, renamed Trebor Allan, a manufacturer of sugar confectionery and some seasonal chocolate products in Canada.

In 1996 the Group entered into an agreement with Acqua Minerale San Benedetto S.p.a. ("San Benedetto"), an Italian producer of mineral water and soft drinks, for the manufacture and distribution of the Group's and San Benedetto's beverage brands in France.

1995 to 1998 continued

In 1995, the Group acquired the 74.7% of the shares of common stock of DPSU not already held by it for a total consideration of $1.71 billion. The principal products in the US include concentrate and syrups used in connection with the manufacture, distribution and sale of soft drinks under the Dr Pepper, Diet Dr Pepper, 7 UP, Diet 7 UP and Welch's brands.

The Group owns a confectionery company in China which commenced local production at a factory near Beijing in 1995. In 1995, a company was established in Russia through which the Group distributes confectionery in that country. A chocolate confectionery factory near St. Petersburg began production in late 1996. The acquisitions of Bim Bim in Egypt, majority control of Cadbury Egypt and Cadbury India and a major investment in chocolate manufacturing in Argentina were also part of this strategy of expanding into emerging consumer markets.

Competition

The soft drinks and confectionery industries are highly competitive and the Group's brands compete with many other multi-national, national and regional companies and private label suppliers in various markets. The Group competes actively in terms of quality, taste and price of its products and seeks to develop and enhance brand recognition through the introduction of new products, new packaging, extensive advertising and promotional programmes.

Beverages Stream

The soft drinks industry includes a number of brand owners who act as licensors of branded products. Through DPSU in the US, and Cadbury Schweppes International Beverages, primarily based in Continental Europe and Australia, the Group is the third largest carbonated soft drinks company world-wide by sales volume.

Confectionery Stream

The Group believes that it ranks among the four largest confectionery companies in the world by sales value. The chocolate confectionery market is primarily a branded market. By contrast, the sugar confectionery market is significantly more fragmented, with a greater presence of local and regional brands and private label products.

Trademarks and Brands

The Group has registered trademarks throughout the world and is the owner of numerous licences, patents and trade secrets, as well as substantial know-how and technology which relate to its products and the processes for their production, to the packages used for its products and to the design and operation of various processes and equipment used in its businesses.

An amount of £1,656 million has been included in the Group's balance sheet at 2 January 2000 to reflect the cost of brands acquired since 1985. While the Group does not charge annual amortisation of this cost in its UK GAAP accounts, in the event of any diminution in value, an appropriate charge would be made against income.

Employees

The average number of employees of the Group analysed by region is summarised in Table 2·1.

Table 2·1
Number of Employees

	1999	1998
UK	**7,590**	8,374
Europe	**7,426**	6,834
Americas	**8,810**	9,047
Pacific Rim	**5,426**	5,696
Africa and Others	**8,173**	8,705
Total	**37,425**	38,656

The aggregate gross remuneration including bonuses of persons employed by the Group, in the Company and its subsidiary undertakings in the UK, was £227 million (1998: £243 million).

Learning and Development

The Group's ability to sustain a competitive advantage over the long term depends in large part on ensuring that all its employees contribute to the maximum of their potential. To enable this the Group has invested in significant programmes in support of the MFV principles. In particular, by the end of 2000 nearly 4,000 managers will have completed training in financial skills and the vast majority of employees will have attended local programmes aimed at sharpening organisation cultures to focus on creating shareowner value. In addition, a major initiative has been launched building the strategic capabilities of our global senior management cadre. Alongside these programmes specifically aligned to the goal of maximising shareowner value there are full local programmes in place to meet the learning and development needs of businesses and their employees.

Employee Involvement

The Group's ability to achieve its commercial objectives and to meet the needs of its customers in a profitable and competitive manner depends on the contribution of employees throughout the Group. Employees are encouraged to develop their contribution to the business both in the context of their particular job roles and wherever they work. In many areas ongoing programmes, focusing on quality and customer service, provide an opportunity for all employees to be involved in making improvements. Financial participation is further encouraged through a variety of share plans which provide employees with a direct stake in the growth and prosperity of the business. In addition, the Group communicates with its employees about its activities through a variety of channels.

The Group has created two European wide employee involvement processes to develop appropriate procedures and approaches to the issue of European employee communications, building on existing local communications and consultative processes.

The Group, through its subsidiaries, has entered into numerous collective bargaining agreements and the Group's management has no reason to believe that the Group would not be able to renegotiate any such agreements on satisfactory terms. The Group believes that its relations with its employees are generally good.

Equal Opportunities and Diversity

The Group is committed to providing equal opportunities to individuals within its businesses world-wide in all aspects of employment. In support of this commitment the Group's policies, procedures and practices to promote diversity, focus on ability and do not discriminate on any other basis. The Group ensures that these global policies achieve local ownership by the business units through sensitivity to the culture and society of each country in which the Group operates.

Disabled Persons

The Group employs a number of people who are disabled, not all of whom are formally registered disabled persons in UK terms. If any employee becomes disabled it is standard practice, in all but the most extreme circumstances, to offer an alternative job and provide retraining where necessary.

Pensions

Companies across the Group reflect local good practice in the provisions which they make for retirement. In the UK, half of the trustees administering the Company scheme are elected by the employee representatives on the Pensions Consultative Committee who are drawn from the UK businesses. The other trustees are appointed by the Company.

Further details on Group pension arrangements are provided in Note 18 to the Financial Statements.

Properties

As of 2 January 2000 the Group had a total of 85 manufacturing plants and bottling facilities, of which 12 were located in the UK, 13 in the Americas, 21 in Continental Europe, 18 in Australia and the Pacific Rim and 21 in other countries. Of these, 55 are engaged in the manufacture of confectionery products and 30 are engaged in the manufacture and bottling of beverage products. All of the above facilities are owned by the Group, except for 1 facility in the UK, 1 in the Americas, 4 in Continental Europe, 4 in Australia and the Pacific Rim and 8 in other countries, which are leased.

All the facilities are considered to be in good condition, adequate for their purpose and suitably utilised according to the individual nature and requirements of the relevant operations. The Group has a continuing programme of improvements and replacements to property when considered appropriate, to meet the needs of the individual operations.

Research and Development

The Group engages in research and development activities relating to the introduction by the Group of new products and production processes and to the improvement of existing products and processes.

The two business streams are supported by high quality technical facilities for scientific research led by establishments based at Reading, UK, and Trumbull, Connecticut, US. Reading Scientific Services Ltd provides research and analytical services to the Group and external customers. The Cadbury Schweppes Global Beverages Technology Center at Trumbull supports the Beverages stream worldwide. In addition, a number of smaller research establishments around the world support the Group's operations.

The Group's research activities include the assessment of safety and toxicology, the refinement of flavour and texture technology, the development of packaging techniques and the application of micro-electronics to process control.

The Group spent £26 million in 1999, £26 million in 1998 and £22 million in 1997 on research and development.

Environment

The Cadbury Schweppes Environmental Programme occupies a key position in the Group's business agenda. Environmental objectives were established in 1992 and, in 1993, the Board of Directors adopted a Corporate Environmental Policy. Subsequently, the Group has developed a Guide to Environmental Management to address the Group's policies and key commitments and to provide a framework for implementing these throughout the Group.

The Group continues to invest in systems, processes and facilities so that performance is measured and continually improved against commitments in the key areas of air emissions; water,

energy and materials conservation; wastewater treatment; solid waste and packaging management; and soil and groundwater protection. Environmental responsibility remains integral to the way the Group runs its business, and the strength of the programme is measured in the delivery of detailed performance targets in every part of the Group's operations.

Customers and Suppliers

No single customer or supplier accounts for more than 10% of either the Group's net sales or purchases, respectively. Neither of the Group's product streams has a single customer or supplier or a single group of customers or suppliers, which account for more than 10% of either of the streams' net sales or purchases, respectively.

Raw Materials

One of the principal raw materials used by the Group in its soft drinks and confectionery products is sugar. The Group purchases most of its sugar at prices essentially set by the European Union or maintained by various national governments through quotas and duties, with only a relatively small proportion purchased at fluctuating world prices. The Group has not experienced and does not anticipate difficulty in obtaining adequate supplies of sugar for its operations with sourcing available from numerous refiners. Another raw material used is aspartame, a sweetening agent used in diet soft drinks products. Aspartame is available from several sources.

The most significant raw material used in the production of the Group's chocolate confectionery products is cocoa beans. These are imported from West Africa and the Far East. West Africa accounts for over 60% of the world production. The Group attempts to minimise the effect of cocoa bean price fluctuation by forward purchasing of quantities of cocoa beans and cocoa butter in order to meet its planned future requirements.

Other raw materials purchased in substantial quantities by the Group for its confectionery business which may fluctuate in price include milk and various types of nuts and fruit. In the case of milk, alternative sources are available. While California is the preferred source for certain nuts and fruit, alternative supplies are available from South Africa, Australia and Italy.

Government Regulations

The production, distribution and sale of many of the Group's products are subject to governmental regulation regarding the production, sale, safety, labelling and ingredients of such products in the various countries and governmental regions in which the Group competes. In addition, the manufacture of many of the Group's products in various markets is subject to governmental regulation relating to the discharge of materials into the environment, and also to the reclamation and re-cycling of packaging waste. The packaging of the Group's beverage products in certain markets is subject to governmental regulation encouraging returnable containers.

The Group's operations are also subject to the risks and uncertainties attendant to doing business in numerous countries. A number of countries in which these operations are conducted maintain controls on the repatriation of earnings and capital and restrict the means available to the Group for hedging potential currency fluctuation risks. However, the operations which are affected by such controls are not material to the Group as a whole, and such controls have not significantly affected the international operations of the Group. Certain of the regulatory authorities under whose purview the Group operates may have enforcement powers which could subject the Group to such actions as product recalls, seizure of products and other sanctions. However, the Group believes that it has taken and continues to take measures to comply with applicable laws and governmental regulations in the jurisdictions within which it operates so that the risk of such sanctions does not represent a material threat to the Group.

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3

Performance Measurement

The Group has defined three key medium term financial performance targets under the Managing for Value ("MFV") agenda.

Two of these are measures of the internal results of the Group. Table 3·1 isolates the impact of exceptional items, disposal profits and goodwill amortisation on earnings per share ("EPS"). The result is a 1% increase in underlying EPS and a 10% increase in underlying EPS excluding restructuring. However, excluding the impact of exchange, underlying earnings per share growth was 8%. The Group will continue to target at least 10% earnings growth in 2000 and future years.

Table 3·1
Earnings per share

	1999 pence	1998 pence	% increase
Basic EPS	**31.7**	17.1	+85
Adjust for:			
Exceptional items	**–**	3.3	
Goodwill amortised	**0.1**	–	
Profit on sale of investments and subsidiaries, net of tax and minorities	**(12.3)**	(1.1)	
Underlying EPS	**19.5**	19.3	+1
Restructuring costs, net of tax	**3.0**	1.1	
Underlying EPS before restructuring	**22.5**	20.4	+10

Free cash flow increased to £292 million in 1999 and exceeded the performance target of £150 million (Table 3·2). Free cash flow is the amount of cash generated by the business after meeting all its obligations for interest, tax and dividends and after all capital investment excluding share purchases by the Employee Trust. Favourable cash flows resulted, in part, from improvements in working capital levels which were partially attributable to MFV initiatives. In addition the Group benefited from exceptional cash flows ahead of the millennium date.

Table 3·2
Free Cash Flow

	1999 £m	1998 £m	1997 £m
Cash flow from operating activities and associates	**837**	698	733
Net capital expenditure	**(108)**	(143)	(204)
Taxation, returns on investments and servicing of finance	**(241)**	(212)	(205)
Ordinary dividends	**(196)**	(186)	(167)
Free cash flow	**292**	157	157

To meet the shareowner value target, the average value of a shareowner's investment in the Group in the year 2000 should be double its level in 1996, assuming the shares are held throughout that period and all dividends re-invested. This measure is known as Total Shareholder Return ("TSR").

In December 1998 and the first few months of 1999, the Group achieved this target. However, during the latter part of 1999 and early months of 2000, the Group's share price was impacted by a change in investor sentiment, away from non-cyclical sectors, such as foods, and towards cyclical and technology stocks. At the current level of valuation for the food sector, it is unlikely that the TSR target will be realised again before the initial measurement date.

Operating Review

1999 Compared to 1998 – Overview

An overview of the Group's results is given in Table 3·3, which highlights the effects of acquisitions and disposals and exchange rates to show turnover and trading profit growth of 3% and 8% respectively from continuing operations. Overall volume growth was only marginally ahead of 1998, reflecting a range of achievements across the portfolio, with significantly lower volumes in the German chocolate and UK sugar confectionery operations, offsetting growth in many other businesses. However the Group's strategy to focus on products with higher economic profit has resulted in favourable price and sales mix and improved trading profit and margins.

Table 3·3
Analysis of Results

	1998 £m	Exchange effects £m	Acquisitions/ disposals £m	Organic growth £m	**1999 £m**
Beverages – continuing operations	1,830	22	53	96	**2,001**
Confectionery	2,169	(8)	53	19	**2,233**
Turnover – continuing operations	3,999	14	106	115	**4,234**
Change %		–	+3	+3	**+6**
Beverages – continuing operations	336	6	12	38	**392**
Confectionery	280	1	2	10	**293**
Trading profit*	616	7	14	48	**685**
Discontinued operations	26	–	(10)	–	**16**
Exceptional items	(68)	–	–	68	**–**
Goodwill amortisation	–	–	–	(3)	**(3)**
Major restructuring costs	(23)	1	–	(42)	**(64)**
Group operating profit	551	8	4	71	**634**
UK	118	–	–	1	**119**
Europe	60	(3)	2	3	**62**
Americas	333	9	12	27	**381**
Pacific Rim	75	3	–	14	**92**
Africa and Others	30	(2)	–	3	**31**
Trading profit*	616	7	14	48	**685**
Change %		+1	+2	+8	**+11**

*From continuing operations and before major restructuring costs, goodwill amortisation and exceptional items

Note that in Table 3·3 above and Table 3·9 on page 42, the Group's non-beverage and non-confectionery businesses in Africa, which produce mainly cocoa-related food products, have been allocated between the two product streams based on management accountability. Similarly, the Cottee's business in Australia, involving jams and fruit snacks, is incorporated into the Beverages stream as is the Mott's apple sauce business in North America.

As in previous years, the Group's reported results have been affected by changes in the exchange rates used to translate the results of foreign subsidiaries. In 1999 compared with 1998, the average value of most currencies increased compared to sterling, (US dollar 2%, Australian dollar 4%), with the main exception being the euro currencies, which declined on average by around 3%. As a consequence of this, as Table 3·3 illustrates, the reported sales and trading profit from the Group's continuing operations were higher, by £14 million and £7 million respectively, than would have been the case had the exchange rates prevailing during 1998 applied.

1999 Compared to 1998 – Overview continued

General price inflation in countries where the Group has its most significant operations remained at a moderate level and in general terms was within a range between 0% and 4%. However, during 1999 inflation was higher than this range in certain developing countries such as South Africa, India and Mexico (between 6% and 19%) and in Russia (84%) and Indonesia (58%). The impact of this inflation was generally not significant to the Group results.

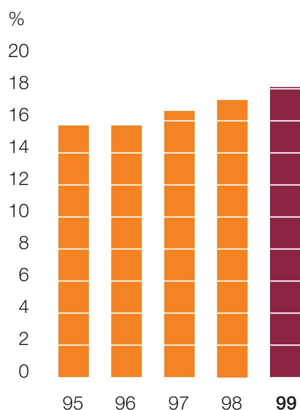
Acquisitions and Disposals

The most significant disposal during the year was the disposal of beverages brands in 160 markets. The total profit on disposal for the year was £350 million. The results of beverages brands disposed have been treated as discontinued operations as have the results of the Group's former subsidiary, Coca-Cola & Schweppes Beverages Ltd, which was sold in February 1997.

The Group made two acquisitions during the year. Wedel, a Polish confectionery brand was acquired for £49 million in February 1999. In May 1999 the Group acquired Hawaiian Punch, an American fruit punch brand for £129 million.

In October 1999, the Group announced the completion of the acquisition of a share of Dr Pepper Bottling Company of Texas ("DPBCOT"). This company has been merged with The American Bottling Company ("ABC"), owned by the Group and the Carlyle Group, to form Dr Pepper/Seven Up Bottling Group Inc. ("DPSUBG"). The Group's total equity investment in DPSUBG was £123 million and, in addition, the Group has acquired a $150 million high yield bond issued by DPSUBG. The Group owns approximately 40% of DPSUBG and the operating profit from DPSUBG is shown within the "Share of operating profit in associates" line in the Group Profit and Loss Account.

Table 3·4
Marketing Expenditure as a percentage of Turnover*



*From continuing operations

Major Restructuring Costs

As Table 3·3 shows, the 1999 results include £64 million in expenditure on major restructuring activities. The key elements of this expenditure include continuing reconfiguration and rationalisation in the Group's UK confectionery businesses and restructuring of sales and administration in Schweppes Spain resulting from findings of the Value Based Management ("VBM") review. The Group's share of operating profit in associates also includes £11 million representing the Group's share of restructuring cost from ABC as well as the Group's share of restructuring required to combine ABC with the newly acquired DPBCOT.

Marketing and Capital Expenditure

Marketing expenditure from continuing operations in 1999 was £767 million; at constant exchange rates this is a 10% increase over marketing expenditure for continuing operations in 1998 and represents a marketing to sales ratio of 18.1% (1998: 17.3%). This expenditure reflects the Group's commitment to brand investment.

In 1999, capital expenditure was £127 million and included projects such as capital projects to facilitate the integration of Hawaiian Punch into Dr Pepper/Seven Up ("DPSU") and Mott's in the US and improvements in production facilities in UK confectionery.

1999 Compared to 1998 – Beverages Stream

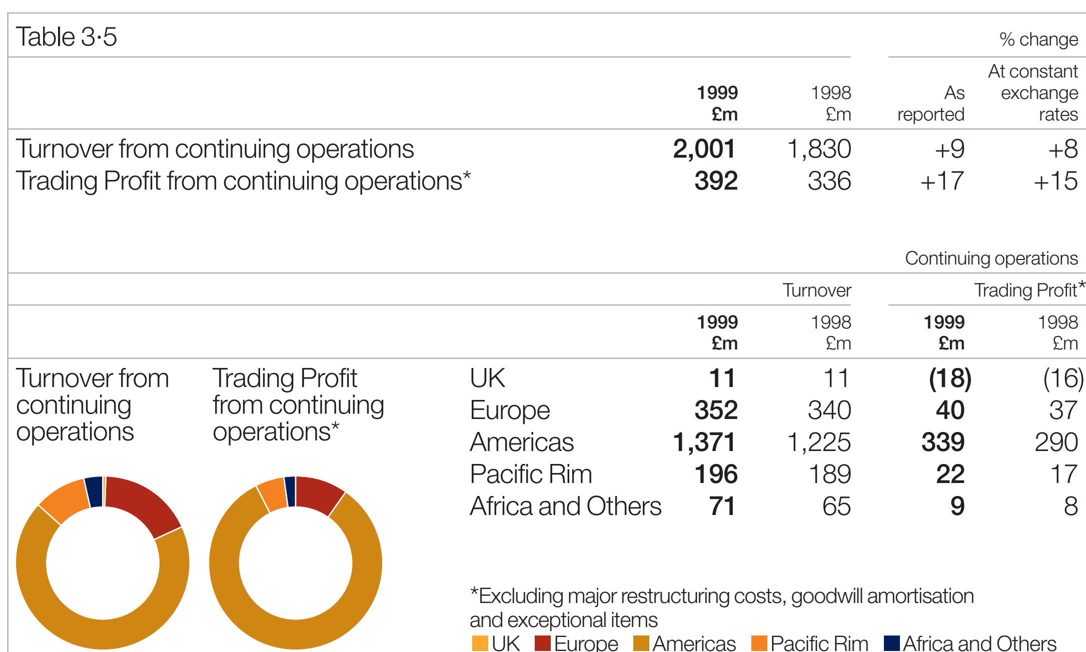


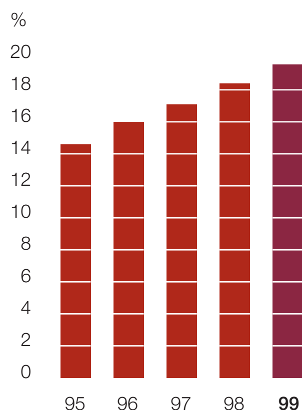
Table 3·5

	1999 £m	1998 £m	% change As reported	% change At constant exchange rates
Turnover from continuing operations	**2,001**	1,830	+9	+8
Trading Profit from continuing operations*	**392**	336	+17	+15

Continuing operations	Turnover 1999 £m	Turnover 1998 £m	Trading Profit* 1999 £m	Trading Profit* 1998 £m
UK	**11**	11	**(18)**	(16)
Europe	**352**	340	**40**	37
Americas	**1,371**	1,225	**339**	290
Pacific Rim	**196**	189	**22**	17
Africa and Others	**71**	65	**9**	8

*Excluding major restructuring costs, goodwill amortisation and exceptional items

Table 3·6
Trading margin from continuing operations*
Beverages Stream



*Excluding major restructuring costs, goodwill amortisation and exceptional items

Continuing Operations

1999 sales from continuing operations of £2,001 million were £171 million or 9% higher than in 1998. Sterling remained strong against European and African currencies but weakened against the US dollar and Australian dollar, with average exchange rates for those currencies increasing by 2% and 4% respectively. Currency movements accounted for £22 million of the sales increase in the year.

At constant exchange rates, sales increased by £149 million or 8%. The acquisition of the Hawaiian Punch brand in May (sold through DPSU and Mott's) accounted for £53 million of the increase. The remaining £96 million increase was mainly driven by strong volume growth.

Trading profit from continuing operations in 1999 increased by £56 million or 17%, with £6 million of this a result of currency movements. Improvements in trading profit were driven by improved sales, with £12 million from the acquisition of Hawaiian Punch. Excluding the impact of Hawaiian Punch and exchange, trading profit increased by £38 million or 11%. Trading margin increased to 19.6% from 18.4%.

United Kingdom

In the UK, sales from continuing operations were unchanged from 1998. Trading loss in 1999 has worsened by £2 million due to an increase in central costs.

Europe

Europe had an unsettled year, impacted by the proposed sale of the brands. However, new products and increased consumer marketing investment resulted in sales increase of £21 million, or 6% at constant exchange rates.

Branded volumes were up 4%, with good improvements in France and Western Europe, notably Oasis and Energade in Italy. In France, branded volumes were driven by Schweppes and Oasis, both of which had new flavours launched during the year. The new flavour in France, Schweppes Agrum, was voted "Flavour of the Year" by consumers. In Spain, branded volumes were level with last year, with the focus remaining on growing high margin ranges.

Europe continued
Improvement in sales mix, resulting from VBM initiatives together with volume increases led to a trading profit improvement of £3 million. At constant exchange rates, profit grew by £5 million or 14%.

Americas
Sales in the Americas region increased by £146 million or 12% to £1,371 million. Excluding the impact of exchange rates and the Hawaiian Punch acquisition, sales rose by £63 million or 5%.

DPSU gained over half a point of market share, growing to 15.9%, the first overall increase since this business was acquired. Dr Pepper brand continued to outperform the market in all channels with a market share of 6.3%, a gain of 0.2 share points. Dr Pepper grew 5% in volume. The flavour brands showed 5% growth and a 0.3 share point gain, driven by Sunkist and A&W – growth of 16% and 7% respectively. 7 UP maintained its market share and grew in the fourth quarter following the launch of a new advertising programme. Fountain volumes grew 6% for the second year in a row, the result of new availability gains in the fast food sector.

Sales growth in Mott's was primarily driven by Hawaiian Punch. Clamato increased market share by 0.3 points and Single Serve Apple Sauce had a very strong year, gaining 3.5 share points in a category which grew by 19%.

In Mexico the focus of the business shifted away from volumes towards profit, resulting in reduced discounting and the creation of a leaner operating structure.

Trading profit for the Americas region increased by £49 million to £339 million. Currency movements led to £8 million of the improvement. Excluding the impact of currency movements and Hawaiian Punch, which accounted for £12 million, trading profit increased by £29 million or 10%.

Pacific Rim
Sales in the region increased by £7 million or 4%, due to exchange rate movements. In Australia, Schweppes Cottee's showed a slight increase in soft drink sales but volumes were below expectations due to poor summer weather. The Sunkist brand grew volumes double digit following a re-launch in the second half of the year. Solo also had a strong year, but food volumes were impacted by aggressive competitor activity.

At constant exchange rates, trading profit rose by £4 million or 24%.

Africa and Others
Sales in the Africa and Others region increased by £6 million in 1999. Currency movements reduced sales by £6 million, with the South African rand remaining weak against sterling. The average exchange rate for the South African rand against sterling reduced by 8% during the year. At constant exchange rates, sales rose by £12 million. Beverage volumes at Bromor were up 3%, driven by the acquisition of the Halls brand at the end of 1998 and strong performance from Energade and Smash.

Trading profit was up £1 million to £9 million, with a £1 million unfavourable currency impact. This improvement was primarily accounted for by the improved level of sales in the South African business.

Discontinued Operations
Sales and profit from discontinued operations reduced by £40 million and £10 million, respectively, reflecting the sale of these businesses early in the second half of the year.

1999 Compared to 1998 – Confectionery Stream

Table 3·7

	1999 £m	1998 £m	% change As reported	% change At constant exchange rates
Turnover	**2,233**	2,169	+3	+3
Trading Profit*	**293**	280	+5	+4

Continuing operations

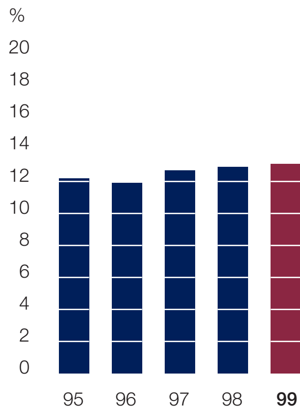
	Turnover 1999 £m	Turnover 1998 £m	Trading Profit* 1999 £m	Trading Profit* 1998 £m
UK	**943**	948	**137**	134
Europe	**465**	453	**22**	23
Americas	**286**	265	**42**	43
Pacific Rim	**339**	304	**70**	58
Africa and Others	**200**	199	**22**	22

Turnover   Trading Profit*

*Excluding major restructuring costs, goodwill amortisation and exceptional items

UK Europe Americas Pacific Rim Africa and Others

Table 3·8
Trading margin*
Confectionery Stream



*Excluding major restructuring costs, goodwill amortisation and exceptional items

1999 sales of £2,233 million were £64 million or 3% higher than last year. Adverse movements in exchange rates reduced sales by £8 million. The acquisition of the Polish confectionery brand Wedel contributed £53 million to sales. Underlying sales at constant exchange rates grew by £19 million or 1%. The growth in sales was despite flat branded volumes, reflecting the positive effects of implementing the VBM strategy.

Trading profit in 1999 increased by £13 million, of which £1 million was from exchange and £2 million from the acquisition of Wedel. On an underlying basis, trading profit increased by £10 million, or 4%. Margins grew to 13.1% from 12.9% in 1998. Poor first half performances from most units improved in the second half.

United Kingdom

Sales in the UK decreased by 1% to £943 million reflecting declining market conditions and trade de-stocking. Trading profit however increased by 2% to £137 million, due to the focus on mix.

Cadbury Ltd outperformed the chocolate confectionery market and grew share to 30.4%. A number of new products were launched with the highlight being the successful launch of Miniature Heroes, delivering significant volumes with minimal impact on Roses.

Trebor Bassett suffered a decline in volumes as a result of significant business restructuring and product range rationalisation. Trade de-stocking in the early part of 1999 also had an adverse impact. However, the plant rationalisation programme is proceeding to plan.

The licensing business in the UK improved on the previous year's performance following new product launches in 1998 and 1999.

Europe

Sales in Europe rose by £12 million or 3% to £465 million. Exchange rate movements had an adverse impact on sales of £17 million or 4%. Excluding this adverse movement, the European sales grew by £29 million, of which £53 million was from the newly acquired Wedel brand in Poland and £24 million represents the sales decline in the other businesses.

Trading profit in the European region declined by £1 million to £22 million. Exchange rate movements had an adverse impact of £1 million. The acquisition of Wedel contributed £2 million to the region's trading profit, while profit in the other businesses declined by £2 million.

In Ireland, domestic sales were ahead of 1998 with chocolate and sugar volumes growing from promotions and new product developments (including Miniature Heroes, Yowie and Nuts About Caramel). Profits increased by 11% as the more profitable brands achieved substantial growth.

In April, Cadbury Netherlands disposed of its factories and non-branded business to form a branded trading company selling product in the Netherlands, Belgium and Scandinavia. Sales decreased by 24%, however profit increased by 71% as a result of the change in structure.

Sales and trading profit at Cadbury France (including La Pie Qui Chante) declined, reflecting the decline in certain sectors of the French chocolate confectionery market, increasing competition and trade de-stocking.

The collapse of the Russian economy and the economic and political tensions in other East European countries has resulted in excess capacities within European manufacturers and reduced profitability. Cadbury Russia performed better than last year, with volumes up 5%, but Piasten in Germany continued to be adversely impacted by the economic crisis, posting a loss for the year of £3 million.

Cadbury Poland acquired the Wedel confectionery business in February 1999 and these two businesses were merged to form Cadbury Wedel. Wedel, as a brand, has a strong base in the Polish market and performed well throughout the year in a difficult market.

Americas

Sales in the Americas increased by £21 million or 8% to £286 million. Favourable currency movements increased sales by £6 million. At constant exchange rates, the growth in sales was £15 million or 6%.

At Trebor Allan the decline in the high margin bulk and count goods and increased sales of low margin, non-branded goods caused a decline in profitability, despite growth in volumes and net sales.

Cadbury Chocolate Canada registered significant sales growth in 1999 as a result of the shift in focus towards rebuilding core brands, supported by aggressive brand reformulation and successful consumer promotions.

In Argentina, the decline in the domestic sugar confectionery market and the collapse of the Brazilian economy resulted in a 5% drop in sales. However, direct cost reductions and savings in marketing and indirect costs resulted in trading profit growth of 11%.

Sales revenues from Cadbury and Peter Paul licensed trade with Hershey were ahead of 1998, but the full year impact of the completion of a technical fee arrangement with Hershey reduced profits by £2 million.

Trading profit for this region of £42 million was 2% lower than that achieved in 1998. At constant exchange rates the trading profit declined by £2 million.

Pacific Rim

Sales in the Pacific Rim region were £35 million or 12% ahead of the prior year. Exchange rate gains contributed £12 million or 4% to the sales growth. At constant exchange rates, sales in this region grew by £23 million or 8%.

Sales in Cadbury Australia increased by 6% driven by the success of newly launched Breakaway and by improved mix. The launch of Breakaway did not have an adverse impact on other Cadbury products, with most core brands showing strong growth particularly Cherry Ripe.

In New Zealand sales increased despite a branded volume decline due to improved mix and pricing. Margin improvement resulting from better factory performance drove a 9% profit increase.

Cadbury Beijing posted a significant growth in sales and volumes (over 90%) driven by the growth in sales of Cadbury's Eclairs. Losses were reduced to £2 million.

The Malaysian and Indonesian businesses began to recover from the Asian economic crisis of 1998 and, at the end of the year, the chocolate and sugar operations in Indonesia were consolidated onto a single site.

Trading profit in the Pacific Rim region was £12 million or 21% ahead of last year. Exchange rate gains contributed £2 million to trading profit growth. At constant exchange rates, trading profit in this region grew by £10 million or 17%.

Africa and Others

Sales in this region of £200 million were slightly up on 1998. At constant exchange rates however, sales grew by £9 million or 5%.

In South Africa, delays in the commissioning of plant transferred from Johannesburg to the Port Elizabeth factory and problems in installing the new chocolate plant caused supply issues and increased costs. Trade de-stocking was also a factor contributing to a profit reduction from 1998.

Cadbury India had a good year, with volumes up 12% generating a strong growth in trading profit. Sales were driven by the increased distribution of lower price point packs. Significant progress was also made in revitalising the main food drinks brand "Bournvita".

Adverse conditions in the domestic confectionery market and difficulties in the export market resulted in Cadbury Egypt sales declining by 13%. In Ghana, liberalisation of trade brought about an influx of low priced goods impacting Cadbury's performance.

Trading profit for this region of £22 million was the same as in 1998, with exchange losses of £1 million nullifying the growth achieved at constant exchange rates.

1998 Compared to 1997 – Overview

An overview of the Group's results is given in Table 3·9, which highlights the effects of acquisitions and disposals and exchange rates to show turnover and trading profit growth of 3% and 8% respectively from continuing operations. Modest volume progress resulted principally from a focus on higher margin products as a result of the VBM programme (and thus lower volumes of low margin products) in addition to difficult economic conditions in the emerging markets. However, good performances from the major business units in the Group resulted from the improvement in sales mix and continuing cost reductions resulted in strong trading profit growth.

Table 3·9
Analysis of Results

	1997 £m	Exchange effects £m	Acquisitions/ disposals £m	Organic growth £m	**1998 £m**
Beverages – continuing operations	1,851	(98)	(17)	94	**1,830**
Confectionery	2,220	(123)	60	12	**2,169**
Turnover – continuing operations	4,071	(221)	43	106	**3,999**
Change %		(5)	+1	+3	**(2)**
Beverages – continuing operations	317	(14)	(1)	34	**336**
Confectionery	282	(18)	4	12	**280**
Trading profit*	599	(32)	3	46	**616**
Discontinued operations	29	–	(4)	1	**26**
Exceptional items	–	–	–	(68)	**(68)**
Major restructuring costs	(28)	–	–	5	**(23)**
Group operating profit	600	(32)	(1)	(16)	**551**
UK	124	–	(1)	(5)	**118**
Europe	58	(3)	4	1	**60**
Americas	308	(9)	–	34	**333**
Pacific Rim	74	(14)	–	15	**75**
Africa and Others	35	(6)	–	1	**30**
Trading profit*	599	(32)	3	46	**616**
Change %		(5)	+1	+8	**+3**

*From continuing operations and before exceptional items and major restructuring costs

Exchange Rate Effects

The Group's reported results for 1998 were affected by changes in the exchange rates used to translate the results of foreign subsidiaries. In 1998 compared with 1997, the average value of most currencies declined against sterling, the most significant to the Group being declines of 18% for the Australian dollar, 21% for the South African rand and 8% for the Canadian dollar. As a consequence of this, as Table 3·9 illustrates, the reported sales and trading profit from the Group's continuing operations were lower, by £221 million (5%) and £32 million (5%) respectively, than would have been the case had the exchange rates prevailing during 1997 applied.

General price inflation in countries where the Group had its most significant operations remained at a moderate level and in general terms was within a range between 0% and 4%. However, during 1998 inflation was higher than this range in certain developing countries such as South Africa, India and Mexico (between 9% and 16%) and in those countries which were significantly affected by the Russian and Asian economic crises (both Russia and Indonesia experienced inflation levels of approximately 80%). The impact of this inflation was generally not significant to the Group results, with the exception of Russia, which is discussed more fully in the Confectionery stream review.

Acquisitions and Disposals

The impact on 1998 sales and trading profit of acquisitions and disposals was not significant. Acquisitions affecting trading profit included the December 1997 acquisition of La Pie Qui Chante, a French sugar confectionery business, and the 1997 sale of Sodastream Ltd, a UK based beverages business.

The most significant acquisition during the year was the Group's £77 million investment for a 39.3% interest in ABC, a soft drinks bottling company in the US.

The profit on sale of subsidiaries and investments in 1998 arose principally on the partial disposal of the Group's investment in ITNET plc and a change in the percentage share of the Group's interest in Amalgamated Beverage Industries Ltd ("ABI"), a bottling associate in South Africa.

Major Restructuring Costs

As Table 3·9 shows, the 1998 results included £23 million in expenditure on major restructuring activities. These restructuring costs included rationalisation in the UK confectionery operations, consolidation of aspects of the French confectionery businesses, a plant closure in South Africa and several rationalisation projects in the Beverages stream. The Group's share of operating profit in associates also included £5 million representing the Group's share of restructuring costs from ABC, as this company rationalised manufacturing facilities to improve efficiency.

Exceptional Items

Exceptional items represented fixed asset impairments and working capital losses resulting from the economic crisis which occurred in Russia during the second half of 1998. As a result of this crisis, an impairment review in accordance with Financial Reporting Standard 11 was performed and a write down was made to reflect the estimated net realisable value of the Group's fixed assets in Russia. Additionally, the economic situation resulted in certain debtors and stocks becoming irrecoverable, primarily in the Group's Russian and other European subsidiaries. These working capital losses were also included in the total exceptional items amount in the Group Profit and Loss Account.

Marketing and Capital Expenditure

Marketing expenditure from continuing operations in 1998 was £693 million; this was a 2% increase over marketing expenditure for continuing operations in 1997 and represents a marketing to sales ratio of 17.3% (1997: 16.6%).

In 1998, capital expenditure was £163 million and included projects such as construction of a Mott's bottling plant in Tecate, Mexico and the ongoing world-wide implementation of an integrated enterprise computer system.

1998 Compared to 1997 – Beverages Stream

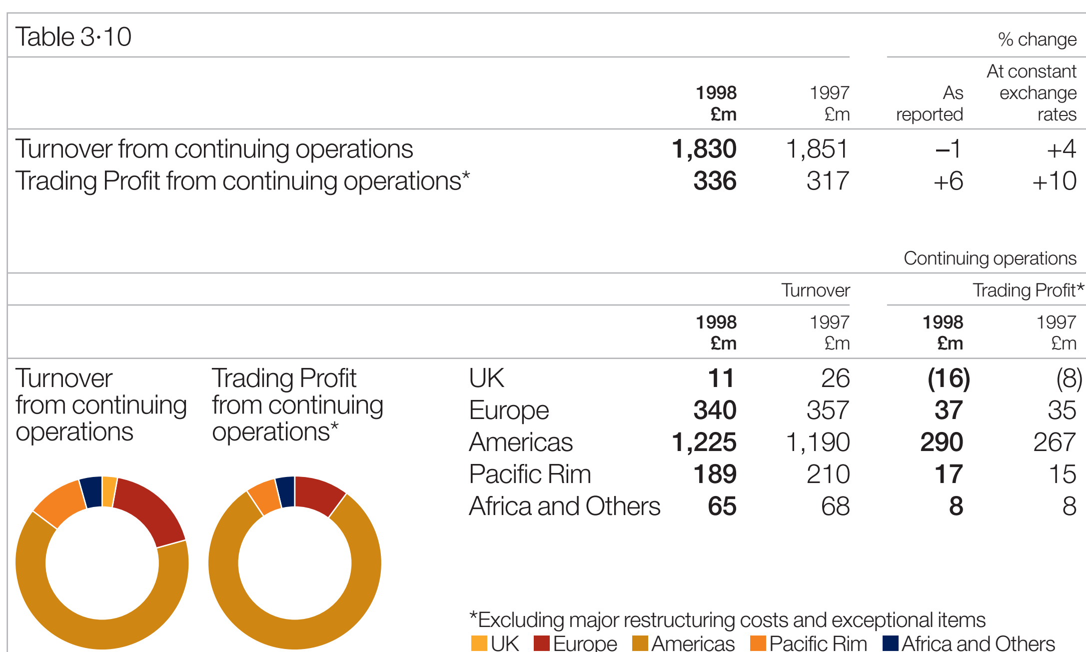


Table 3·10

	1998 £m	1997 £m	% change As reported	% change At constant exchange rates
Turnover from continuing operations	**1,830**	1,851	–1	+4
Trading Profit from continuing operations*	**336**	317	+6	+10

Continuing operations

	Turnover 1998 £m	Turnover 1997 £m	Trading Profit* 1998 £m	Trading Profit* 1997 £m
UK	**11**	26	**(16)**	(8)
Europe	**340**	357	**37**	35
Americas	**1,225**	1,190	**290**	267
Pacific Rim	**189**	210	**17**	15
Africa and Others	**65**	68	**8**	8

*Excluding major restructuring costs and exceptional items

Continuing Operations
1998 sales from continuing operations of £1,830 million were £21 million lower than in 1997. Continued strength of sterling against the US dollar and European currencies in conjunction with significant currency devaluations in key Group markets such as Australia and South Africa reduced sales by £98 million or 5%. At constant exchange rates, and excluding a £17 million impact from disposals, sales increased by £94 million or 5%. Branded volumes increased by 1% and price increases or changes in sales mix contributed to the remainder.

Trading profit from continuing operations in 1998 increased by £19 million to £336 million, despite the adverse impact of currency movements which reduced trading profit by £14 million or 4% from 1997. Internal growth generated an increase in trading profit of £34 million or 11%.

United Kingdom
In the UK, sales from continuing operations decreased from £26 million to £11 million, a result of £15 million of sales lost from the disposal of Sodastream. Higher stream costs, primarily associated with the Schweppes global marketing campaign and MFV initiatives caused the trading loss to increase.

Europe
Sales in Europe were £17 million or 5% lower than in the previous year. Exchange rate movements were responsible for £10 million or 3% of the decrease in sales. Branded volumes were flat, impacted by the poor summer weather across the region, the economic slowdown in Eastern Europe and a deliberate focus on higher margin volumes at the expense of lower margin volumes. In Spain, branded volumes fell 5%, mainly in the lemon and cola ranges, as part of the VBM business focus on the higher margin ranges, such as glass formats for the hotel and restaurant trade. In France, branded volumes grew modestly in a declining market, with performance driven by Schweppes fruit carbonates and Oasis.

Trading profit increased by £2 million to £37 million. At constant exchange rates, profit grew by £3 million or 8%. This performance in local currency profitability reflects the VBM initiatives in Spain and Portugal and the benefits of better distribution and production efficiencies in France.

Americas

Sales in the Americas region increased by £35 million to £1,225 million in 1998. Excluding the impact of exchange rates, sales rose by £72 million or 6%.

At DPSU, Dr Pepper volume growth continued to outpace the US market with its share reaching an all time high (6.1%). The brand performed well in both bottle and can and in fountain and foodservice. The flavour brands, A&W Root Beer and Sunkist, grew volumes by 2% and 9% respectively. A volume decline for 7 UP reflected a lack of focus in the Pepsi and independent bottling systems as a whole.

Sales and volume increases at Mott's were driven by continued success in single serve apple sauce, notably Fruitsations, and Clamato tomato based juices. Mott's has focused attention on brands and products which earn the highest economic profit.

The recovery in the Mexican soft drinks business in 1997 gathered pace in 1998. Branded bottler volumes rose 13%, primarily due to the launch of Aguafiel water late in 1997, and increased placements of cooler equipment.

Trading profit for the Americas region increased by £23 million to £290 million, a rise of 9% on 1997, representing 86% of the stream total trading profit, a slight increase on the previous year. Currency movements had a £7 million or 3% negative effect. Trading profit growth at constant exchange rates was £30 million or 11%. Within the region, DPSU had another good year, with profit benefiting from the combination of higher volumes and lower costs. Progress at Mott's remained strong despite increased price competition in apple juice and problems with aseptic production. The Mexican business benefited from higher volumes, a more profitable product mix and lower costs.

Pacific Rim

Sales in the region were adversely impacted by the significant devaluation, 18%, of the Australian currency against sterling. Sales at average exchange rates for 1998 fell by £21 million. Excluding the impact of currency movements, sales rose by £14 million or 7%. Volumes were up 7% in the region, benefiting from the exceptionally hot summer weather in Australia, the region's principal market. In Australia, the non-cola market outgrew the cola market. The Group's core carbonated soft drinks brands – Schweppes, Sunkist and Solo – grew volumes by 8% and increased their share of the market. At Cottee's, the Australian foods business, cordial volumes rose strongly during the year and the business benefited from the successful launch of Cadbury branded topping.

At constant exchange rates, trading profit rose by £4 million or 27% to £17 million reflecting the combination of higher volumes and better sales mix. Currency movements reduced trading profit by £2 million.

Africa and Others

Sales in the Africa and Others region decreased by £3 million or 6%. Currency movements reduced sales by £17 million. The average exchange rate for the South African rand against sterling in 1998 was 9.17 as against 7.58 for 1997, a 21% devaluation during the year.
At constant exchange rates, sales rose by £13 million or 20%. Branded beverage volumes at Bromor were up 10% on 1997 driven by the re-launch of Oros and Brookes cordials and strong promotion behind Energade.

Trading profit was £8 million, unchanged from 1997. Exchange rate movements reduced trading profit by £2 million. The 25% or £2 million increase in trading profit at constant exchange rates was primarily accounted for by the South African business.

Discontinued operations

Discontinued operations sales and trading profit decreased by £42 million and £3m respectively. This partly reflected the disposal of CCSB at the beginning of 1997.

1998 Compared to 1997 – Confectionery Stream

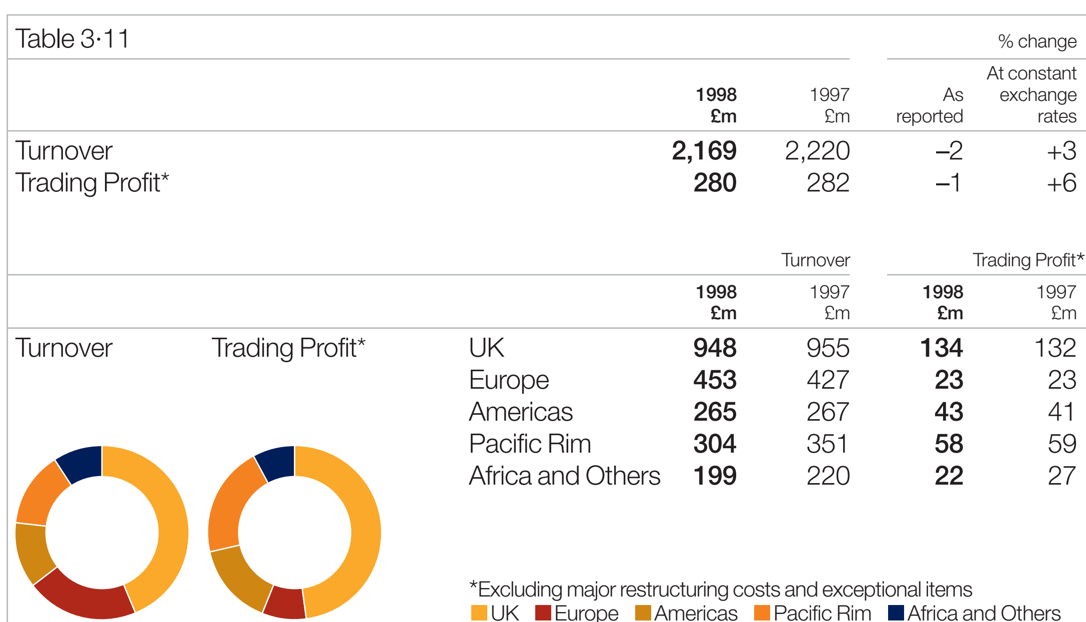


Table 3·11

	1998 £m	1997 £m	% change As reported	% change At constant exchange rates
Turnover	**2,169**	2,220	–2	+3
Trading Profit*	**280**	282	–1	+6

	Turnover 1998 £m	Turnover 1997 £m	Trading Profit* 1998 £m	Trading Profit* 1997 £m
UK	**948**	955	**134**	132
Europe	**453**	427	**23**	23
Americas	**265**	267	**43**	41
Pacific Rim	**304**	351	**58**	59
Africa and Others	**199**	220	**22**	27

*Excluding major restructuring costs and exceptional items

1998 sales of £2,169 million were £51 million or 2% lower than 1997. Movements in exchange rates reduced sales by £123 million or 6%. Underlying sales at constant exchange rates rose by £12 million or 1%. Acquisitions contributed a further £60 million or 3% to sales. Branded volumes were flat and the sales gain was due to improved product mix and price increases. The reduced stream volume reflected the Russian economic crisis, the focus on higher margin products at the expense of low margin products, as a result of the VBM programme, and a slowdown in the world economy in the second half.

Trading profit in 1998 decreased by £2 million, a 1% fall on 1997. Profit at constant exchange rates grew by £12 million or 4%. Acquisitions contributed a further £4 million. The businesses in the developed markets of the UK, Ireland, Australia, New Zealand and Canada performed strongly. Exchange rate movements caused a reversal of £18 million or 6%. The Russian economic collapse is estimated by the Group to have reduced the Confectionery stream's trading profit by £13 million. Margins for the stream as a whole increased from 12.7% to 12.9%.

United Kingdom

Sales in 1998 in the UK decreased by £7 million to £948 million, reflecting the implementation of the VBM programme at Trebor Bassett and the focusing of Cadbury Ltd on higher margin products. Trebor Bassett volumes were down, although core brand volumes (including mints, gums, jellies and liquorice assortments) were up by 6%. Strong growth in Bassett's Jelly Babies, Butterkist popcorn and Trebor Softfruits helped trading profit to increase 12%.

Volume performance at Cadbury Ltd was slightly below the market, reflecting a deliberate policy of only pursuing profitable sales. The core lines and other higher margin product categories performed well. Sales of Easter products, where Cadbury Ltd is the clear market leader, rose by 12%. Successful launches included Wispamint, Nuts about Caramel and the Snack biscuit countlines re-launch. Trading profit at Cadbury Ltd benefited from a better sales mix and investments in new technology.

An increase in central and stream overhead costs, primarily related to initiatives to implement MFV, offset much of the excellent profit progress made by both Cadbury Ltd and Trebor Bassett.

Europe

Sales in Europe rose by £26 million or 6% to £453 million. Exchange rate movements had a more limited impact than in 1997. The first time contribution from the newly acquired La Pie Qui Chante was offset by the impact of the Russian economic crisis.

Following a rapid rise in the volume of export business to Russia, the Group invested £75 million in building a state-of-the-art confectionery factory outside St Petersburg in 1996. Up to August 1998, Cadbury brand sales in Russia were developing to plan. Other Group companies, Piasten in Germany, Cadbury France and, to a lesser extent, Dulciora in Spain, continued to benefit from a healthy export business to the region. In August, the Russian economic collapse and rouble devaluation severely dislocated trading in Russia and the other CIS states.

Overall, trading profit from the European confectionery operations was constant at £23 million. The direct impact of the Russian crisis on European confectionery profits was estimated by the Group as £13 million in 1998. Trading losses in Russia were unchanged from 1997 as costs were contained. However, at Piasten in Germany the cessation of exports of moulded and boxed chocolates to Russia, where it had built a strong market position, reduced profit markedly. In Poland, volumes for the year were lower and profit margins were eroded by both a planned increase in marketing support and by more competitive market conditions as a result of the Russian economic crisis.

Cadbury Ireland increased constant exchange rate trading profit by 18%, following an excellent performance and record volumes in its home market. The business achieved good growth in all market categories. In a subdued market Cadbury France profited through focus on key product lines such as 1848 and a successful Christmas sales period. La Pie Qui Chante, acquired at the end of 1997, giving the Group joint market leadership in sugar confectionery in France, performed ahead of expectations. Targeted functions in the company were quickly and successfully integrated with the existing French business. Profit in Spain was well ahead with a strong performance from chocolate countlines, primarily Huesitos and Tokke.

Americas

Sales in the Americas region decreased by £2 million to £265 million. Excluding the impact of exchange rate movements, sales increased by £11 million or 4%, all of which was organic growth. Comparing the average exchange rates against sterling in 1998 with average rates in 1997, the Canadian dollar devalued by 8%.

In Canada, Trebor Allan branded volume rose by 5%, with gains on major brands such as Sour Patch Kids and Fuzzy Peach. The chocolate business of Cadbury Chocolate Canada experienced a highly competitive market but successfully launched new lines and re-launched Cadbury's Dairy Milk. Both businesses benefited from the synergy of working together and achieved double digit profit growth. In the US, Jaret, the Group's US sugar confectionery sales operation, benefited from the addition of three brands to its range, including Fuzzy Peach, and strong growth in existing brands such as Sour Patch Kids and Swedish Fish. The Cadbury and Peter Paul licensed trade with Hershey was well ahead of 1997, with particularly strong sales of Cadbury's Creme Egg, sourced from the UK.

Domestic sugar volumes at Stani in Argentina rose strongly, supported by successful innovation in the Beldent (chewing gum) and Bazooka (bubble gum) ranges. The business also supplied Marble to the UK, contributing to a constant exchange rate trading profit increase of 18%.

Trading profit for the region rose from £41 million to £43 million, an increase of 5%. Currency movements reduced profit by £2 million or 5%.

Pacific Rim

Pacific Rim sales were £47 million or 13% lower than 1997. Adverse currency movements reduced sales by £63 million or 18%; the constant exchange rates growth in sales was £16 million or 5%. Industry volumes in the key markets of Australia and New Zealand were lower than 1997, reduced by the unusually hot summer weather in the first half of the year. At Cadbury Australia, share of the chocolate market increased. This was achieved by a successful sales and marketing programme which included launches such as Cadbury Storyblock, a filled block with a book insert, and Cadbury Favourites, an assortment range of mini-Cadbury products. Milk Tray was also successfully re-launched and Yowie, launched in 1997, continued to sustain consumer interest. In New Zealand, market share in chocolate confectionery grew in a difficult market helped by the launch of Favourites and the "All Black" rugby promotion and sponsorship. Branded volumes in China grew by 95% with the continuing success of Cadbury's Eclairs and the expansion of the business into eight new cities. Operating losses were substantially reduced. In the rest of the region, the business units in Malaysia, Indonesia, Hong Kong and Singapore were all affected by the Asian economic difficulties, but profit for the region was broadly similar to 1997.

Trading profit in 1998 was £58 million, £1 million or 2% lower than 1997. Exchange rate movements reduced profit by £11 million. Constant exchange rate profit growth was 17%. The Australian and New Zealand businesses each saw strong increases in trading profit.

Africa and Others

Sales in the Africa and Others region in 1998 fell by £21 million or 10% to £199 million. Adverse currency movements reduced sales by £30 million or 14%, with the average rate for the South African rand against sterling in 1998 devaluing by 21%. Constant exchange rate sales rose by £9 million.

In South Africa, volumes were lower with reduced disposable incomes lowering demand in some key market sectors. In addition, the closure of a factory at year end led to some disruption of supply. TimeOut was launched and contributed to profits edging ahead of 1997. In India, a focus on the core chocolate products helped generate an 8% increase in branded volumes. Sales in Egypt were severely affected by the complete cessation of exports to Algeria and problems in other key markets such as Saudi Arabia. Domestic Egyptian volumes were also under pressure, due to record summer temperatures, and more intense competition.

Trading profit in the Africa and Others region fell by £5 million to £22 million. Exchange rate movements accounted for £4 million of this reduction, with the constant exchange rate trading profit showing a £1 million or 4% fall from 1997.

Accounting Policy Changes

The following Financial Reporting Standards ("FRS") have been adopted in the Group's 1999 Financial Statements:

FRS 12 Provisions, Contingent Liabilities and Contingent Assets
FRS 15 Tangible Fixed Assets

FRS 12 has resulted in a restatement of prior year results due to its impact on the timing of recognition of restructuring provisions. 1998 earnings have been reduced by £7 million. The adoption of FRS 15 has not resulted in a restatement of prior year results.

Share of Operating Profit in Associates

In 1999 the share of operating profit in associates decreased by £3 million to £35 million. This was primarily the result of operating profit earned from ABC, offset by the increased restructuring charge in this business and also profit growth from the Group's French bottling associate. In 1998 the share of operating profit in associates increased by £7 million as a result of operating profit earned from ABC.

Interest

In 1999 the net interest charge arising in Group companies reduced by £6 million to £46 million, principally reflecting savings from the Group's strong free cash flow and interest earned on the proceeds from the disposal of beverages brands offset by cash outflows for acquisitions and share buy backs. The Group's share of associate interest has increased by £10 million from 1998 primarily as a result of the acquisitions of ABC and DPBCOT. Interest cover in 1999 decreased overall to 11 times.

In 1998, the £7 million reduction in the net interest charge to £57 million reflected savings from the Group's free cash flow, offset by the effect of acquisitions. Interest cover in 1998 was 11.5 times.

Taxation

The Group's effective tax rate (excluding tax on sales of subsidiaries and investments) decreased to 29.8%, from 32.2% in 1998. In 1999, the decrease reflected a return to a more normal tax rate as the 1998 effective tax rate was distorted by exceptional items for which no tax relief is expected to be available. Tax relief on restructuring was only 18% as no relief has been anticipated on the restructuring costs in Spanish beverages.

The tax rate on disposal gains in 1999 reflected the tax regimes in the various overseas jurisdictions where many of the brands were owned.

The 1998 effective tax rate increased from 28.9% in 1997, a result of the tax impact of exceptional items noted above.

Minority Interests

Profits attributable to equity and non-equity minority interests in 1999 of £101 million were £60 million higher than 1998. A reduction in minority interests resulting from the acquisitions of minorities at the end of 1998 was offset by the minorities' 45% share of the profits on the disposal of the beverage brands in South Africa (£66 million).

In 1998, minority interests of £41 million were £7 million higher than 1997. This was primarily due to the minorities' share of the profit on the deemed disposal of a share of the Group's interest in ABI, resulting from a rights issue by ABI which was not subscribed to by the Group. At the end of 1998, the Group acquired the minority interests in Trebor Allan in Canada, Jaret in the US and

Minority Interests continued

Piasten in Germany under the terms of the respective shareholder agreements. Payment of approximately £46 million for these acquisitions was made in the first quarter of 1999.

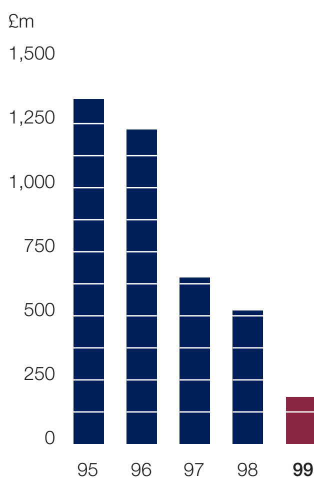
Dividends

The total dividend for 1999 of 10 pence per share is 5% higher than in 1998 and represents underlying dividend cover of 2 times. Further dividend information for shareholders is given in Shareholder Information on page 132.

Capital Structure and Resources

The Group's market capitalisation fell by nearly £3 billion during 1999 to £7.6 billion, due to a 138.5p reduction in the share price to 374p at year end. Net borrowings of the Group at year end of £182 million represented only 2% of total market capitalisation. Management is continually assessing further investment opportunities to generate returns for shareowners.

Table 3·12
Net borrowings



The Group believes that a low level of debt is not in the best interests of shareowners, as it increases the Group's weighted average cost of capital. Accordingly, the Group has initiated a share buy back programme which will help to reduce the cost of capital. The programme began in late November 1999 and by 2 January 2000 the Group had repurchased 23.7 million shares, representing approximately 1% of the outstanding share capital. The Company will seek to renew the authority to repurchase shares at the AGM in May 2000. Additionally, during the year the Group's Employee Trust started to acquire shares for use in fulfilling employee share plans. Share purchases by the Employee Trust in 1999 totalled 19.2 million and included an element of purchases of shares for share plan awards from previous years.

At the end of 1999, the total of short term and long term debt was £743 million compared with £1,026 million at the end of 1998. Cash and liquid resources increased to £561 million at the end of 1999 compared to £520 million at the end of 1998. The Group's borrowings net of cash and short term investments declined to £182 million at the end of 1999, from £506 million at the end of 1998. 43% of the gross debt of the Group at the end of 1999 was due after one year. Gearing, defined as borrowings net of cash and short term investments expressed as a percentage of shareholders' funds plus equity minority interests, decreased to 8% at the end of 1999 from 27% at the end of 1998.

At the end of 1999 150% of the Group's net borrowings were either at fixed rates or converted to fixed rates through the use of interest rate swaps or caps. It should be noted, however, that the year end is the low point in the Group's seasonal borrowing cycle. Further information on the Group's use of derivative financial instruments is given below. Interest cover was 11.0 times in 1999 compared with 11.5 times in 1998.

Capital expenditure in 2000 is expected to be slightly higher than spend in 1999. As of 2 January 2000 the Group had capital commitments of £16 million, principally in respect of replacement and expansion of manufacturing facilities. It is anticipated that these commitments will be financed out of the Group's operational cash flow.

At 2 January 2000 the Group had undrawn committed borrowing facilities of £371 million. £307 million of this is made up of nine bilateral revolving credit facilities of $55 million each committed by the Group's key relationship banks. They were arranged in 1997 and mature in 2004. In view of its committed facilities, liquid resources and cash flow from operations, the Group believes that there are sufficient funds available to meet its anticipated cash flow requirements in 2000.

While there are exchange control restrictions which affect the ability of certain of the Group's subsidiaries to transfer funds to the Group, the operations affected by such restrictions are not

material to the Group as a whole and the Group does not believe such restrictions have had or will have any material adverse impact on the Group as a whole or the ability of the Group to meet its cash flow requirements.

Cash Flows

Net cash flow from operating activities as shown in the Cash Flow Statement on page 89 was £824 million in 1999 compared with £686 million in 1998 and £719 million in 1997. Note 26 to the Financial Statements contains further detail. These cash flows include a net working capital decrease of £6 million in 1999, and increases of £80 million in 1998 and £46 million in 1997. Operating cash inflows from discontinued operations included in the total were £43 million in 1999, £25 million in 1998 and £21 million in 1997.

Cash purchases of tangible fixed assets were £128 million in 1999, compared with £157 million in 1998 and £213 million in 1997. The Confectionery stream accounted for 72% of the total in 1999, compared with 67% in 1998 and 65% in 1997; the Beverages stream accounted for 28% of the total in 1999 compared with 33% in 1998 and 35% in 1997. Financial investments represent the £88 million of share purchases by the Employee Trust in 1999.

The cash outflow on acquisitions in 1999 was £350 million and included the acquisition of the Wedel confectionery business in Poland, minority interests in Trebor Allan, Jaret and Piasten, and DPBCOT and the Hawaiian Punch beverage brand in the US. Disposal proceeds are mainly the result of the sale of beverage brands during the year.

The cash outflow on acquisitions in 1998 was £96 million and included the investment in ABC. Disposal proceeds mainly represent the proceeds on the sale of a portion of the Group's investment in ITNET plc.

The total cash outflow on acquisitions in 1997 was £95 million, which included the acquisition of an 80% interest in Jaret and the acquisitions of Bim Bim and the assets of La Pie Qui Chante. During 1997 the Group also increased its holding in Piasten from 70% to 85% and in Cadbury Stani from 80% to 100%.

Net cash inflows before the use of liquid resources and financing were £417 million in 1999, £78 million in 1998 and £193 million in 1997. Excluding Employee Trust share purchases, acquisitions and disposals and acquisition related restructuring costs, free cash flow was £292 million in 1999 and £157 million in both 1998 and in 1997.

The net cash outflow from the use of liquid resources and financing during 1999 was £351 million. This included the redemption of a $300 million 6% Eurobond and the repurchase of £79 million of ordinary shares, both from available resources.

The net cash outflow from the use of liquid resources and financing during 1998 was £60 million. In 1998 the Group redeemed £250 million Floating Rate Notes and a $200 million 5.875% Eurobond using available resources.

The net cash outflow from the use of liquid resources and financing during 1997 was £187 million, which includes £33 million inflow from the issue of ordinary shares. In 1997 the Group redeemed the remaining US$ Auction Preference Shares at their original issue price of $175 million.

Net cash increased during 1999 by £66 million, after an increase of £18 million in 1998 and £6 million during 1997. The Group's surplus cash is predominantly invested in instruments with investment grade credit ratings and the maximum exposure to any single counterparty is strictly limited.

Risk Management

The management of all forms of business risk continues to be an important part of ensuring that the businesses create and protect value for shareowners. The processes involved call for the identification of specific risks in the many different business areas, the assessment of those risks in terms of their potential impact and the likelihood of their materialising and then decisions as to the most appropriate method of managing them. The latter may include regular monitoring, investment of additional resources, transfer to third parties via insurance or hedging agreements and contingency planning.

Year 2000

The Year 2000 issue, the so-called Millennium bug, arose because certain systems and equipment might not have functioned properly after 1999. The Group did not experience any material disruption to its business at the beginning of January 2000 as a result of the Millennium bug. Efforts undertaken throughout the Group to address this issue were critical in achieving this result which also yielded other benefits in terms of upgrading the technological asset base and strengthening business continuity plans.

The direct costs of the Group's Year 2000 compliance programme stand at £24 million of which £14 million was spent in 1999 and £10 million in prior years. These costs mostly represented external services and items being replaced primarily to achieve Year 2000 compliance. These did not include the investment in SAP, an enterprise-wide system, normal replacement programmes which were not accelerated and the cost of internal staff secondments to Year 2000 project teams.

Euro

On 1 January 1999, 11 of the 15 countries of the European Union (EU) introduced the euro as their common currency, although for a further three year transition period the old national currencies will continue in parallel as sub-denominations of the euro. The Group operates through subsidiaries in 7 of the 11 participating countries and has distribution arrangements for its products in the rest. Of its total turnover of £4,301 million in 1999 some £787 million was generated in the euro-zone. The introduction of a common currency should have a profound impact on the general macro-economic environment, creating new risks and opportunities throughout the euro-zone. It will also have a potential impact in the UK which is not yet participating in the common currency and whose future participation is uncertain.

The Group's beverages business, in particular, will be potentially affected by the impact of increased price transparency across the euro-zone; this arises in connection with certain products which are sold in the same sizes and formulation in different countries at different prices. It is not a new issue but the impact of monetary union together with the increasing internationalisation of major retailers gives it increased prominence. The Beverages stream has anticipated this issue for some time and has taken action to minimise the potential adverse impact.

The Confectionery stream, which generally has country specific product offerings, is less affected by price transparency. It will, however, be affected by rounding on the consumer price of its lower value products, particularly sugar confectionery, and the need to deal with the disappearance of psychologically important pricing points when pricing is eventually expressed in euros at the retail level (from 2002).

The Group is in the advanced stages of the installation of an integrated enterprise system in most euro-zone businesses. The Group has started to trade in the euro with the limited number of euro-zone customers who have so far expressed a preference for it. A more significant level of uptake is, however, anticipated later in 2000 and in 2001. The Group intends to convert its systems in the euro-zone to a euro base at a later stage in the transition period and does not anticipate a material cost impact from this conversion.

No material impact from the introduction of the euro is anticipated in relation to the continuity of the Group's contracts.

A steering group of executives from different Group functions regularly monitors and co-ordinates the business and operational issues arising from Economic and Monetary Union, reports to the Chief Executive's Committee and, periodically, to the Board of Directors.

The Group does not anticipate changing its reporting currency or the denomination of its share capital to the euro unless the UK decides to join the euro-zone.

Treasury Risk Management

The Group is exposed to market risks arising from its international business. Derivative financial instruments are utilised by the Group to lower funding costs, to diversify sources of funding, to alter interest rate exposures arising from mis-matches between assets and liabilities or to achieve greater certainty of future costs. These instruments are entered into in accordance with policies approved by the Board of Directors and subject to regular review and audit.

All financial instruments hedge specifically identified actual or anticipated transactions; movements in their fair value are highly negatively correlated with movements in the fair value of the transactions being hedged and the term of such instruments is not greater than the term of such transactions or any anticipated refinancing or extension of them. Such anticipated transactions are all in the normal course of business and the Group is of the opinion that it is highly probable that they will occur.

Liquidity Risk

The Group seeks to achieve a balance between certainty of funding even at difficult times for the markets or the Group and a flexible, cost-effective borrowings structure. The policy, therefore, seeks to ensure that at a minimum all projected net borrowing needs are covered by committed facilities. Also, the objective for debt maturities is to ensure that the amount of debt maturing in any one year is not beyond the Group's means to repay and refinance. To this end the policy provides that at least 75% of year end net debt should have a maturity of one year or more and at least 50%, three years or more. Committed but undrawn facilities may be taken into account for this test.

Finance and Interest Rate Risk

The Group has an exposure to interest rate fluctuations on its borrowings and manages these by the use of interest rate swaps, cross currency interest rate swaps, forward rate agreements and interest rate caps. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall. Thus the policy sets minimum and maximum levels of net debt permitted to be at fixed rates in various time bands, ranging from 50% to 100% for the period up to six months, to 0% to 30% when over 5 years. Percentages refer to the annual average level of net debt and preference shares: 100% was at fixed or capped rates of interest at year end, but the year end level is typically £150 million to £200 million lower than the annual average. Assuming no changes to the borrowings or hedges, it is estimated that a rise of 1 percentage point in interest rates in all currencies in which the Group has borrowings would have affected 1999 profit before tax by less than 0.5%.

Currency Risk

The Group operates internationally giving rise to exposure from changes in foreign exchange rates, particularly the US dollar. The Group does not hedge translation exposure and earnings because any benefit obtained from such hedging can only be temporary. If the exchange rates prevailing at year end had applied throughout 1999, underlying earnings per share would have increased by less than 1%.

Currency Risk continued

The Group seeks to relate the structure of borrowings to the trading cash flows that service them and the Group's policy is to maintain broadly similar fixed charge cover ratios for each currency block. Also, the ratio for any currency block may not fall below two times in any calendar year.

This is achieved by raising funds in different currencies and through the use of hedging instruments such as swaps. The Group also has transactional currency exposures arising from its international trade. The Group's policy is to take forward cover for all forecasted receipts and payments for as long ahead as the pricing structures are committed, subject to a minimum of three months cover. The Group makes use of the spot and forward foreign exchange markets to hedge its exposures.

Table 3·13 presents the change in fair value of the Group's financial instruments to hypothetical changes in market rates. The fair values are quoted market prices or, if not available, values estimated by discounting future cash flows to net present values.

The change in fair values for interest rate movements assumes an instantaneous 1% (100 basis points) decrease in interest rates of all currencies, from their levels at 2 January 2000, with all other variables remaining constant. The change in fair values for exchange rate movements assumes an instantaneous 10% weakening in sterling against all other currencies, from their levels at 2 January 2000, with all other variables remaining constant. Further information on fair values is set out in Note 20(e) to the Financial Statements.

The sensitivity analysis below shows forward-looking projections of market risk assuming certain adverse market conditions occur. This is a method of analysis used to assess and mitigate risk and should not be considered a projection of likely future events and losses. Actual results and market conditions in the future may be materially different from those projected and changes in the instruments held and in the financial markets in which the Group operates could cause losses to exceed the amounts projected.

Table 3·13

		Fair value changes arising from	
	Fair value £m	1% decrease in interest rates favourable/ (unfavourable) £m	10% weakening in £ against other currencies favourable/ (unfavourable) £m
Cash at bank and in hand	151	–	10
Liquid resources	401	–	31
Debt	(709)	3	(42)
Currency and interest rate swaps	(10)	2	(1)
Interest rate swaps	(15)	(9)	(2)
Currency exchange contracts	(17)	–	41
Quarterly Income Preferred Securities	(233)	(5)	(24)

Commodity Risk

In respect of commodities the Group enters into forward purchase contracts for cocoa and other commodities in order to provide a stable cost base for marketing finished products. A significant proportion of these forward contracts are held in the form of cocoa futures, which can subsequently be converted into physical supply contracts with commercial suppliers. The use of futures contracts enables the Group to obtain the benefit of guaranteed contract performance on firm priced contracts offered by the exchanges and their clearing houses.

The sensitivity analysis in Table 3·14 reflects the market risk to the Group of an adverse price movement of 10%, based on the net commodity position of the Group at four dates equally spaced during the year. Net commodity positions consist of the excess of futures contracts held over unpriced forward contracts for the same commodities, principally cocoa. Stocks, priced forward contracts and estimated anticipated purchases are not included in the calculations of the sensitivity analysis. A loss is defined, for the purpose of defining market risk, as the potential decrease in fair value or the opportunity cost resulting from a 10% adverse price movement. The fair values of net commodity positions were based on official settlement prices on the LIFFE and CSCE exchanges on the relevant dates.

Table 3·14

	Current Value £m	Market Risk £m
Highest long position	92	9
Lowest long position	36	3
Average long position	56	6

Credit Risk

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

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Board of Directors and Board Secretary

Sir Dominic Cadbury
Chairman
Appointed as Chairman in May 1993, having served as Group Chief Executive since the end of 1983. He joined the Company in 1964 and the Board in July 1974. He held many positions within the Company before becoming Managing Director of the UK Confectionery Division in 1980. He is Chairman of The Economist Newspaper Ltd and The Wellcome Trust. He is also Joint Deputy Chairman of EMI Group plc and Deputy Chairman of the Qualifications and Curriculum Authority. Age 59.

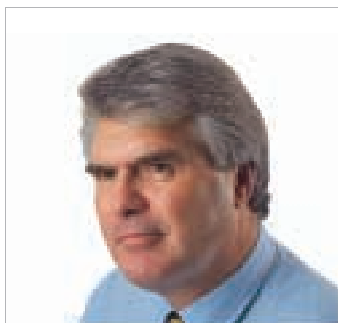
J M Sunderland
Group Chief Executive
Appointed as Group Chief Executive in September 1996 having served as a Director since May 1993. He joined Cadbury Schweppes in 1968. After holding various directorships in Ireland, South Africa and the UK, he was a founding Director in 1987 of Coca-Cola & Schweppes Beverages Ltd. In 1989 he was appointed as Managing Director of the UK Sugar Confectionery Division, subsequently the Trebor Bassett Group. Prior to his appointment as Group Chief Executive he was, from 1993 to 1996, Managing Director, Confectionery Stream. He is also a non-executive Director of the Rank Group Plc. Age 54.

Dr F B Humer
Non-Executive Deputy Chairman
Appointed a Director in June 1994 and Deputy Chairman in February 2000. He is Chief Executive Officer, Head of the Pharmaceuticals Division and member of the Board of Directors of F Hoffmann-La Roche Ltd as well as Chairman of the Executive Committee. He is also a Director of Genentech, Inc. Previously he held senior positions within the Glaxo Group from 1981 to 1989 when he was appointed as a Director of Glaxo Holdings plc. He was Chief Operations Director of Glaxo Holdings plc from 1993 to 1994. Age 53.

R J Stack
Group Human Resources Director
Appointed a Director in May 1996. He joined Cadbury Beverages in the US in 1990 as Vice President, Human Resources for the world-wide Beverages Stream, following appointments with Bristol-Myers and the American Can Company. In 1992 he moved to the UK as Group Director, Strategic Human Resources Management, retaining his Vice-Presidency in the Beverages Stream and leading executive development for the Company. Age 49.

I F H Davison
Non-Executive
Appointed a Director in October 1990. He is Chairman of The NMB Group PLC and a Director of the London School of Economics and Political Science. Age 68.

Sir John Whitehead GCMG, CVO
Non-Executive
Appointed a Director in May 1993. He served in the British Diplomatic Service from 1955 to 1992, holding posts in Tokyo (latterly as Ambassador from 1986 until 1992), Bonn, Washington and in London. He is also a Director of BPB plc and Deutsche Asset Management and an advisor to various companies including Cable & Wireless plc and PowerGen plc. Age 67.



D J Kappler
Group Finance Director
Appointed as Group Finance Director in January 1995. He worked for Cadbury Ltd and the Group's Health and Hygiene Division from 1965 to 1984 and rejoined the Company in 1989, following the acquisition of the Trebor Group of which he was Finance Director. Prior to his appointment as Group Finance Director, he was Director of Corporate Finance after holding various appointments in the Confectionery Stream. He is also a non-executive Director of Camelot Group plc and CISL Ltd. Age 52.

J F Brock
Managing Director
Beverages Stream
Appointed a Director in January 1996 and as Managing Director, Beverages Stream in February 1996. He joined Cadbury Beverages North America in 1983 after 11 years with Procter & Gamble Co. He was appointed President, Cadbury Beverages International in 1990 and President, Cadbury Beverages Europe in 1992. On returning to the US in 1993 he became President, Cadbury Beverages North America overseeing the acquisition and integration of Dr Pepper/Seven Up Companies Inc. Age 51.

I D Johnston
Managing Director
Confectionery Stream
Appointed a Director in September 1996. He joined Cadbury Schweppes in 1982, in Australia, after holding various posts with Unilever plc. In 1990 he was appointed Managing Director of Schweppes soft drinks operations in Australia and in 1991 Managing Director of the merged Schweppes Cottee's business. In 1994 he moved to the UK and became Managing Director of Cadbury Ltd. Age 52.

Baroness Wilcox
Non-Executive
Appointed a Director in March 1997. She is also a non-executive Director of Carpetright plc, a member of the House of Lords and is President of the National Federation of Consumer Groups, the Institute of Trading Standards Administration and a Trustee of the Institute of Food Research. She was Chairman of the National Consumer Council from 1990 to 1995. Age 59.

R S Braddock
Non-Executive
Appointed a Director in June 1997. He is Chairman and CEO of Priceline.com, a Director of E* Trade Group Inc., Eastman Kodak Company, AmTec, Inc and Lincoln Center for the Performing Arts. He held a number of senior positions with Citicorp/Citibank, NA from 1973, including President from 1990 to 1992. He then became President and Chief Operating Officer of Medco Containment Services, Inc. until it was sold to Merck & Co., Inc. in 1993. Age 58.

D A R Thompson
Non-Executive
Appointed a Director in March 1998. He is Joint Group Managing Director of The Boots Company PLC, having joined that company in 1966 and held a number of finance appointments in the UK and Canada before being appointed, in 1990, as Group Finance Director and as Joint Group Managing Director in 1997. Age 57.

Group Secretary and
Chief Legal Officer
M A C Clark
Joined the Company in 1980. He served as Senior Vice-President, General Counsel and Secretary of Cadbury Schweppes Inc in the US prior to his move to the UK and his appointment as Group Secretary and Chief Legal Officer in May 1988. Age 52.

The Directors of Cadbury Schweppes plc present their Report together with the audited Financial Statements for the 52 weeks ended 2 January 2000 (the "year").

Business and Activities

Principal Activities

The description of Principal Activities is given in the Description of Business on page 24.

The operating companies principally affecting the profit or assets of the Group in the year are listed in Note 30 to the Financial Statements.

Business Review

The Letter from the Chairman, the Group Chief Executive's Review and the Operating and Financial Review, on pages 6 to 9, 10 to 13 and 34 to 55 inclusive, report on the Group's development during the year, its position at the year end and the Group's likely future development.

Acquisitions, Disposals and Changes in Investments

Acquisitions, disposals and changes in investments are detailed in the Operating and Financial Review on pages 35 to 41.

Turnover and Profit

Turnover amounted to £4,301 million (1998: £4,106 million). Profit on ordinary activities before taxation amounted to £958 million (1998: £570 million).

Dividends

Ordinary dividends paid and recommended amount to £202 million (1998: £194 million). Details are given in the Operating and Financial Review on page 50 and in Shareholder Information on pages 132 and 133.

Research and Development

Details are given in the Description of Business on page 30.

Legal Proceedings

The Company and its subsidiaries are defendants in a number of legal proceedings incidental to its operations. The Company does not expect that the outcome of such proceedings, either individually or in the aggregate, will have a material effect upon the Company's results of operations or financial position.

Share Capital

Changes

Following the authorities given at the Annual General Meeting in 1999 for the Company to (a) divide each ordinary share of 25p into two ordinary shares of 12.5p each, and (b) purchase its own shares; the share split was effective at 11.59 pm on 21 May 1999, and accordingly all share information for prior periods has been restated; and from 29 November to 30 December 1999 the Company purchased a total of 23,770,000 ordinary shares. These and other changes in the ordinary share capital of the Company are detailed in Note 21 to the Financial Statements.

The Directors are seeking renewal of the authorities to allot relevant securities and to allot equity securities for cash other than on a pre-emptive basis. Similar resolutions have been approved by shareholders at each Annual General Meeting since 1982. As detailed in the Group Chief Executive's Review on page 11, the Directors are also seeking renewal, at the Annual General Meeting in 2000, of the authority given at the Annual General Meeting in 1999 for the Company to purchase its own shares, as and if appropriate.

Share and Other Interests

The interests of the Directors holding office at the year end in the share capital of the Company at 3 January 1999 (or date of appointment if later) and 2 January 2000 according to the Register maintained under Section 325 of the Companies Act 1985 are detailed in Tables 4·6 to 4·9 on pages 74 and 75.

The Company has received notification of interests in the issued ordinary share capital of the Company in accordance with Section 198 of the Companies Act 1985 (as amended).

At the date of this Report the interests detailed in Table 4·1 amounting to 3% or more in the issued ordinary share capital had been notified.

Table 4·1
Interests in Ordinary Share Capital

	Number of ordinary shares	% of Issued ordinary share capital
The Capital Group Companies, Inc.	98 million	4.84

Other Disclosures

Employees

Details of the Group's employees, including numbers by geographical region, together with statements of policy about programmes for learning and development, employee involvement, equal opportunities and diversity, disabled persons and pensions are given in the Description of Business on pages 29 and 30.

Charitable Contributions

During the year contributions within the UK to charities or equivalent organisations through corporate giving or as part of the activity of UK operating companies amounted to £1.3 million (1998: £1.4 million). The Company qualifies as a member of The Per Cent Club.

Community Involvement

The Company contributes actively to the communities in which it operates around the world through national or locally targeted programmes. These include charitable donations and may involve opportunities for commercial sponsorship, employee involvement or secondment, and help with facilities as well as direct financial support. Increasingly the Group is building partnerships with projects or organisations in local communities to ensure that contributions are as effective as possible.

Environment

Details of the Group's policy are stated in the Description of Business on page 30.

Policy on Payment to Suppliers

The Company adheres to the CBI Prompt Payers Code, whereby the policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. The Company has no trade creditors, so the number of creditor days outstanding at the year end was nil.

Corporate Governance

It is the policy of the Company to manage the affairs of the Group in accordance with the appropriate standards for good corporate governance.

The Principles of Good Governance and Code of Best Practice (the "Combined Code"), published in June 1998, was incorporated into the Listing Rules of the London Stock Exchange in January 1999. The Combined Code contains 14 principles of good governance and 45 code provisions which are applicable to listed companies.

The provisions of the Combined Code applicable to the Company are divided into four Parts:

Part A: Directors
Part B: Directors' Remuneration
Part C: Relations with Shareholders
Part D: Accountability and Audit

Set out below is a statement of how the Company has applied the principles set out in the four Parts of Section 1 of the Combined Code.

Part A: Directors

Board of Directors

The business of the Company is managed by the Board of Directors. The Board meets regularly and is responsible for the proper management of the Company. Special Board meetings are held when decisions are required between regular Board meetings. In 1999 the Board held twelve regular Board meetings and one special Board meeting. The Board has a formal schedule of matters reserved to it for decision, including the approval of annual and interim results, acquisitions and disposals, as well as material agreements, major capital expenditures, budgets, long range plans and senior executive appointments. Other matters are delegated to Board Committees including those detailed below.

The Board has twelve members, six Executive Directors and six Non-Executive Directors. The procedures for re-appointment to the Board are described on page 64. No individual or group of individuals dominates the Board's decision making. The Directors have wide ranging experience and all have occupied or currently occupy senior positions in industry or government. The biographical details of the Board members are set out on pages 58 and 59. On joining the Board, Directors are given background documents describing the Company and its activities. For new Directors, site visits are arranged to the major business units. Arrangements have also been made for senior executives below Board level to attend Board meetings and make presentations on the results and strategies of their business units.

On 11 February 2000, the Directors appointed Dr F B Humer as Deputy Chairman. He will serve as the recognised senior member of the Board to whom concerns can be conveyed.

All of the Non-Executive Directors are independent of management and have no relationships which could materially interfere with the exercise of their independent judgement.

Board members are given appropriate documentation in advance of each Board and Committee meeting. For Board meetings these documents include a report on current trading and business issues from the Chief Executive, a period financial report, proposals for capital expenditures, proposals for acquisitions and disposals and proposals for senior executive appointments.
In addition to formal Board meetings, the Chairman and Chief Executive maintain regular contact with all Directors and hold informal meetings with the Non-Executive Directors at least twice a year to discuss issues affecting the Company.

The Board has approved an agreed procedure for Directors to take independent professional advice if necessary at the Company's expense (up to a maximum of £25,000). Before incurring professional fees the Director concerned must consult with the Chairman of the Board or with two other Directors (one of whom is Non-Executive). Such advice was not sought by any Director during 1999.

Directors have direct access to the advice and the services of the Group Secretary who is responsible for ensuring that Board procedures are followed.

Committees of the Board

Audit Committee

Members: Non-Executive Directors
Chairman: I F H Davison

The Chairman, the Group Chief Executive, the Group Finance Director and the Director of Financial Policy and Services attend meetings at the invitation of the Committee.

The Audit Committee deals with accounting matters, financial reporting and internal controls. It meets at least twice a year and reviews the annual and interim financial statements before they are submitted to the Board. The Committee also monitors proposed changes in accounting policy, reviews the internal audit functions, meets with external auditors and discusses the accounting implications of major transactions. In 1999 the Audit Committee met twice.

D A R Thompson will be appointed as Chairman of the Audit Committee upon the retirement, at the Annual General Meeting, of I F H Davison.

Chief Executive's Committee

Members: Executive Directors and Group Secretary
Chairman: J M Sunderland

The Chief Executive's Committee deals with a wide range of matters, including review of four-weekly financial results and forecasts, proposals for capital expenditure and major operating issues which arise out of the ordinary course of business. The Committee reviews acquisitions, disposals and associate investments, budgets and long range plans before they are submitted to the Board. The Committee also reviews a report issued for each meeting by the treasury department on borrowings and other financial matters. In 1999 the Chief Executive's Committee met twelve times.

Nomination Committee

Members: Chairman, Group Chief Executive, Sir John Whitehead, Baroness Wilcox and I F H Davison
Chairman: Sir Dominic Cadbury

This Committee is empowered to bring to the Board recommendations as to the appointment of any new executive or non-executive director, provided that the Chairman, in developing such recommendations, consults all Directors and reflects that consultation in any recommendation of the Nomination Committee brought forward to the Board.

The mixture of Non-Executive and Executive Directors on the Board and the Nomination Committee ensures that a review of Board candidates is undertaken in a disciplined and objective manner. In 1999 the Nomination Committee met once.

With the appointment of I F H Davison as a member of this Committee on 19 February 1999, a majority of the members of this Committee were Non-Executive Directors.

Remuneration Committee

Members: Non-Executive Directors
Chairman: Dr F B Humer

The Chairman, the Group Chief Executive and the Group Human Resources Director attend meetings at the invitation of the Committee.

The Remuneration Committee reviews and approves the annual salaries, incentive arrangements, service agreements and other employment conditions for the Executive Directors. Information prepared by independent consultants and appropriate survey data on the remuneration practices of comparable companies is taken into consideration. The Company has complied with Schedule A of the Combined Code, throughout the year, and with Schedule B in respect of the content of the Report on Directors' Remuneration on pages 67 to 76. The Remuneration Committee met four times in 1999.

The Directors' Remuneration, the Remuneration Policy, Directors' Emoluments and Interests in Share Capital are detailed on pages 67 to 76 of this Report of the Directors.

Directors

The names of the Directors at the date of this Report, together with brief biographical details, are set out on pages 58 and 59. All the Directors held office throughout the year. Sir Peter Davis also held office in the year from 7 May 1999 until 17 December 1999.

The Company's Articles of Association provide that at every Annual General Meeting of the Company one-third (or the number nearest to but not exceeding one-third) of the Directors shall retire from office. The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. A retiring Director is eligible for re-appointment. Any Director appointed by the Board shall hold office only until the next following Annual General Meeting but shall not be taken into account in determining the Directors or the numbers of Directors who are to retire by rotation at that meeting. If at any Annual General Meeting the place of a retiring Director is not filled, the retiring Director, if willing to act, is deemed to have been re-appointed, unless at such meeting it is resolved not to fill the vacated office or unless a resolution for the re-appointment of that Director has been put to the meeting and lost. The Board may from time to time appoint one or more of its number to any executive office for such period and on such terms as it thinks fit.

The Combined Code states that all Directors should be subject to re-election at intervals of no more than three years. Under the Company's Articles of Association it may be possible for a Director to serve four years before re-appointment by shareholders. An amendment to the Articles, to comply with the Combined Code, will be proposed at the Annual General Meeting to be held on 4 May 2000.

At the Annual General Meeting held on 6 May 1999, J F Brock, Sir Dominic Cadbury, D J Kappler and Sir John Whitehead retired by rotation and, being eligible, were re-appointed.

At the Annual General Meeting to be held on 4 May 2000, I F H Davison, I D Johnston, R J Stack and Baroness Wilcox will retire by rotation in accordance with Article 90 of the Articles of Association. I D Johnston, R J Stack and Baroness Wilcox, being eligible, will offer himself or herself for re-appointment. I F H Davison is not seeking re-appointment.

I D Johnston and R J Stack have service contracts with the Company which are terminable by the Company giving two years' notice. As a Non-Executive Director, Baroness Wilcox does not have a service contract with the Company.

Part B: Directors' Remuneration

The Report on Directors' Remuneration is set out on pages 67 to 76.

Part C: Relations with Shareholders

The Company maintains good communications with shareholders. Senior executives of the Company, including the Group Chief Executive, the Group Finance Director and the Director of Investor Relations meet frequently with representatives of institutional shareholders to discuss their views and to ensure that the strategies and objectives of the Company are well understood. Issues discussed with institutional shareholders include the Company's performance, the impact of major transactions such as acquisitions or disposals and any corporate governance concerns.

Annual General Meeting ("AGM")

The AGM will be held on Thursday, 4 May 2000 at 2.30 pm at the Royal Lancaster Hotel, Lancaster Terrace, London W2 2TY. The Notice of Meeting will be contained in the separate Annual General Meeting booklet which will be enclosed with this Annual Report for shareholders. The booklet will contain the text of the resolutions to be proposed and explanatory notes concerning the proposals to authorise the Directors to allot relevant securities and to allot equity securities for cash other than on a pre-emptive basis. In addition, resolutions will be proposed to authorise the Company to purchase its own shares, as and if appropriate, to authorise the Directors to establish a new share ownership plan based on legislation which it is understood will be contained in the Finance Act 2000, to authorise the grant of options to participants in the 1997 Long Term Incentive Plan and to amend the Articles of Association to bring them into line with current practice on various aspects, including the Listing Rules adopted by the London Stock Exchange, take account of recent legislation and enable shareholders to use modern technology to the extent the law permits.

In accordance with the Company's usual practice there will be a statement by the Chairman at the AGM regarding the Company's performance in 1999 and a brief statement on current trading conditions. It is intended that the Chairmen of the Audit, Nomination and Remuneration Committees will attend the AGM. The Company will advise shareholders attending the AGM of the number of proxy votes lodged for each resolution, in the categories "For" and "Against", together with the numbers "at the Chairman's discretion" and of abstentions. These will be advised after each resolution has been dealt with on a show of hands.

472 registered shareholders, or their proxies or Corporate Representatives, attended the Annual General Meeting in 1999, representing 0.08% of the issued share capital.

Part D: Accountability and Audit

Directors' Responsibility

The Statement of Directors' responsibilities in relation to Financial Statements is set out on page 84.

The Statement by the Auditors on Corporate Governance matters is contained in their Report on pages 84 and 85.

Auditors

The Auditors, Arthur Andersen, are willing to continue in office. A resolution for their re-appointment and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Going Concern

On the basis of current financial projections and facilities available, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing Financial Statements.

Internal Financial Control

The system of internal financial control comprises those controls established in order to provide reasonable assurance of:
(a) the safeguarding of assets against unauthorised use or disruption; and
(b) the maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

While acknowledging their responsibility for the system of internal financial control, the Directors are aware that such a system cannot provide an absolute assurance against material mis-statement or loss.

The key elements of the system are as follows:

(a) "The Character of the Company", a statement of corporate values, and a "Code of Conduct" both of which are distributed throughout the Group;
(b) clearly defined organisation structures and limits of authority;
(c) corporate policies for financial reporting, accounting, financial risk management, information security, project appraisal and corporate governance;
(d) operation of a group treasury department solely to manage financial risk, arrange funding required by Group companies and carry out treasury policies as set by the Directors;
(e) annual budgets and long term business plans for all operating units, identifying key risks and opportunities;
(f) monitoring of performance against plans and budgets and reporting thereon to the Directors on a four-weekly basis;
(g) an internal audit department which reviews key business processes and controls, including performing annual reviews and spot checks on the Group treasury department; and
(h) an Audit Committee which approves audit plans and deals with significant control issues raised by internal or external audit.

The Directors confirm that reviews of the effectiveness of the system of internal financial control were carried out during the year.

Regular reviews of business risk control procedures are carried out by various internal assurance departments. Reports are circulated to senior management and action taken to strengthen controls where appropriate. To ensure that all material items are considered by the Board of Directors with effect from the first half of 2000 each internal assurance department will be reporting quarterly on the significant issues which arose from their reviews as above.

Existing practice has been for major exposures to be reported annually to the Board of Directors primarily based on self-assessments by the principal Business Units ("BUs"). In future the board of management of each BU will report formally on their more significant business risks and the internal assurance departments will also report on any further business risks evident at a regional, global or corporate level; the Board of Directors will consider a consolidated report on these issues at least once a year, commencing in October 2000.

Audit Committee and Auditors

The Board of Directors has established an Audit Committee. The membership of this Committee and the terms of reference are set out on page 63.

Statement of Compliance with the Code of Best Practice

The Company complied with the Provisions of the Code of Best Practice set out in Section 1 of the Combined Code, except for the following matters which are more fully described in the statement on applying the principles of good governance or in the Report on Directors' Remuneration: (i) providing a one year notice period in the service contracts of Executive Directors, see page 70; and (ii) making incentive payments non-pensionable, see page 69.

The Company has also taken the following steps to comply with other provisions of the Combined Code: (i) appointment of Dr F B Humer as Deputy Chairman and the senior Non-Executive Director, see page 62; (ii) having a majority of Non-Executive Directors on the Nomination Committee, see page 63; and (iii) re-appointment of Directors by shareholders every three years, see page 64.

Report on Directors' Remuneration

Remuneration Policy

The composition of the Remuneration Committee of the Board is detailed on page 64.

The policy of the Remuneration Committee is to ensure that the remuneration practices of the Company are competitive, thereby enabling the Company to attract and retain high calibre executives and at the same time protect the interests of shareholders. In framing its remuneration policy, the Remuneration Committee receives advice from external consultants. This advice includes information on the remuneration practices of consumer products companies of a size and standing similar to the Company, including competitors and other businesses which trade on a world-wide basis. This information also includes data on a broad range of companies with operations in many different lines of business.

Salaries for Executive Directors

In setting the basic salary of each Director, the Remuneration Committee takes into account the pay practices of other companies and the performance of each individual Director.

Annual Incentive Plan

Annual incentive targets are set each year to take account of current business plans and conditions and there is a threshold performance below which no award is paid. In 1999 annual incentive awards for Directors were based on the achievement of real growth in economic profit. Those annual awards were based on objective financial tests subject to appropriate adjustments as determined by the Remuneration Committee. The target incentive award for Executive Directors is 60% of basic salary. However, in the case of exceptional results the annual incentive payment may increase up to a maximum of 90% of basic salary. Incentive awards to Executive Directors for 1998 and 1999 averaged 59% and 64%, respectively, of basic salary. The Chairman does not participate in the Annual Incentive Plan.

Bonus Share Retention Plan

The Bonus Share Retention Plan ("BSRP") is applicable to Annual Incentive Plan awards for 1999. 142 senior executives, including five Directors, are eligible to participate in the BSRP. The BSRP enables participants to defer all or part of their Annual Incentive Plan award and receive such award in the form of Cadbury Schweppes ordinary shares ("deferred shares") rather than cash. After a three year period the Company will provide participants with three additional shares for every five deferred shares. All shares under the BSRP are purchased in the market and held in trust until the end of the three year period. If a participant leaves the Company during the three year period, the participant forfeits part of the additional shares and in certain cases it is possible that all of the additional shares and the deferred shares may be forfeited.

Long Term Incentive Plans

The 1997 Long Term Incentive Plan (the "1997 LTIP") replaced the prior Long Term Incentive Plan (the "Old LTIP") under which awards are still outstanding. Participation in the 1997 LTIP is at the discretion of the Remuneration Committee. Awards have been granted to 30 senior executives, including six directors.

The 1997 LTIP operates over a three year performance cycle with a new cycle starting each year. The first performance cycle started with the calendar year 1997. An award consists of the contingent right to receive an amount equal to the market value, at the end of the performance cycle, of a designated number of ordinary shares provided that the maximum amount which can

Long Term Incentive Plans continued
be earned at the end of the performance cycle is 100% of the participant's base salary at the start of the performance cycle. Shareholders approved an amendment at the Annual General Meeting on 6 May 1999 which changed this limit, for plan cycles starting in 1999 and onwards, so that it is applied at the beginning of a performance cycle by reference to the market value of ordinary shares at that time.

The Remuneration Committee has the discretion as to whether the earned amount of any award shall be paid in ordinary shares of the Company after the end of the performance cycle and/or as a deferred share award. A deferred share award is the right after a further period (the "deferral period") to receive or acquire ordinary shares of the Company. The Committee's present intention is that the earned amount in respect of the initial awards will be paid half in shares and half in the form of deferred shares to be released or exercised after a further two year period.

Awards under the BSRP and the 1997 LTIP will normally be satisfied by the transfer of shares to participants by the trustees of the Cadbury Schweppes Employee Trust (the "Employee Trust"). The Employee Trust is a general discretionary trust whose beneficiaries include employees and former employees of the Company, and their dependants. The principal purpose of the Employee Trust is to encourage and facilitate the holding of shares in the Company by or for the benefit of employees of the Group. The Employee Trust may be used in conjunction with any of the Company's employee share plans.

Each award under the 1997 LTIP is subject to objective performance criteria determined by the Remuneration Committee. In each of 1998 and 1999, participants were granted two awards with separate performance targets. The first award (the "TSR Award") is based on total shareholder return (that is, share price growth plus re-invested dividends) ("TSR") subject to a minimum requirement that the growth in the Company's earnings per share over the performance cycle must exceed the rate of inflation over the same period by at least 2%.

Under the TSR Award, the Company's TSR over the performance cycle will be compared with a weighted average TSR performance of a peer group of both UK and non-UK Fast Moving Consumer Goods (FMCG) companies (weighted 75% and 25% respectively). These companies have been selected to reflect the global nature of the Company's business. No part of the TSR award will be earned if the performance is below the 50th percentile of the peer group. For performance at or above the 80th percentile the award will be earned in full.

For the second award (the "EPS award"), the performance target is linked to the Company's earnings per share. The EPS award will be earned in full if over the performance cycle the growth in earnings per share exceeds the rate of inflation over the same period by at least 4% per annum.

If either award is not earned in accordance with the performance requirements above, it will be deferred on an annual basis for up to three years until the performance requirement is achieved by comparing the same performance requirements over the period of four, five and six years. Should an award not be earned after six years, the award will lapse.

Table 4·4 on page 72 details the interests of the Executive Directors who served during the year in the LTIP at the beginning of the year (3 January 1999), at the end of the year (2 January 2000) and changes during the year. At 2 January 2000 Executive Directors had interests in the Old LTIP in respect of the 1995-1997 and 1996-1998 cycles. They had interests in the 1997 LTIP in respect of the 1997-1999, 1998-2000 and 1999-2001 cycles. In March 1999 the Remuneration Committee approved awards which had been earned for the 1996-1998 cycle. Release of deferred awards in respect of the 1994-1996 cycle was made in March 1999.

Retirement Benefits

The Company operates a number of retirement programmes throughout the world. Pension benefits reflect local competitive conditions and legal requirements.

Sir Dominic Cadbury, J M Sunderland and D J Kappler participate in the UK pension arrangements. J F Brock and R J Stack participate in the US pension arrangements and I D Johnston has past service benefits under Australian pension arrangements and accrues benefits under UK pension arrangements for current service. Further details of these arrangements are set out below and on page 73.

In the UK, annual incentive awards of up to 20% of basic salary are pensionable. The percentage of overall pay which is dependent on performance is substantial and has increased over recent years. Given the increase in the total proportion of remuneration which is variable pay, the Remuneration Committee considers that it is appropriate for a portion of such pay to be pensionable. Pension arrangements in the US and Australia provide that incentive awards under the Annual Incentive Plan are pensionable. The pensionability of such incentive awards in the UK, US and Australia is consistent with long standing arrangements for the Company's other senior executives.

Share Plans

The Company operates an Inland Revenue approved Savings-Related Share Option Scheme in the UK, under which employees may save to purchase ordinary shares in the Company. Similar share plans operate in Ireland, Australia, New Zealand, the US, Canada, Belgium, France, Spain and Portugal with variations reflecting legislative requirements in those countries.

In January 1997, the Company established an additional employee trust, the Cadbury Schweppes plc Qualifying Employee Share Ownership Trust (the "QUEST"), for the purpose of distributing ordinary shares in the Company on the exercise of options under the UK Savings-Related Share Option Scheme. The trustee of the QUEST is Cadbury Schweppes Group Trustees Limited, a subsidiary of the Company. All employees of Group companies in the UK, including Executive Directors of the Company, are potential beneficiaries under the QUEST.

Since 1984 the Company has also operated share option schemes for senior executives. At the Annual General Meeting in 1994 the Company's Share Option Scheme 1984 for Main Board Directors and Senior Executives and the Share Option Scheme 1986 for Senior Management Overseas were replaced by the Cadbury Schweppes Share Option Plan 1994 (the "1994 Plan"). The 1994 Plan provides that each option will be subject to an objective performance target set by the Remuneration Committee.

Grants of options were made under the 1994 Plan during 1999 and the Remuneration Committee, in making such grants, set the performance target to be achieved before such options can be exercised. Options cannot be exercised unless and until the percentage growth in the Company's earnings per share over a period of three consecutive financial years has exceeded the rate of inflation over the same period by at least 2% per year compound (or 6.12% over such three year period).

Further details on share plans are provided in Note 29 to the Financial Statements.

The Executive Directors have participated as appropriate in the Share Option Scheme 1984 for Main Board Directors and Senior Executives, in the Share Option Scheme 1986 for Senior Management Overseas and in the 1994 Plan.

From 1994 to 1996 inclusive, options under the 1994 Plan were generally granted to Executive Directors annually to a value equivalent to 1 to 1⅓ times annual salary subject to individual subscription limits set by institutional guidelines. The number of shares under option is reduced on a pro-rata basis if the Director leaves the Company within three years of the option grant.

Share Plans continued
Each Executive Director has also participated, as applicable, in the savings-related share option scheme operated in the country in which his contract of employment is based.

Service Contracts
All of the Executive Directors have service contracts with the Company. Their contracts require two years' notice of termination by the Company. The service contract with Sir Dominic Cadbury expires in May 2000, when he intends to retire. Under the secondment arrangements J F Brock, R J Stack and I D Johnston are entitled to six months' employment with their employing company in their home country if there are no suitable opportunities for them when their secondments end. The contracts for Directors provide for liquidated damages equal to the lesser of two times base salary and the salary due from the date of notification of termination to normal retirement date.

The Combined Code states that: "There is a strong case for setting notice or contract periods at, or reducing them to, one year or less. Boards should set this as an objective, but they should recognise that it may not be possible to achieve it immediately". Although the Company provides for two year notice periods rather than one year, the actual amount of two times base salary to be paid as liquidated damages is comparable to one year's full remuneration for an Executive Director, as the payment of full remuneration for one year would have to take account of base salary, annual incentive payments, LTIP payments, additional pension contributions and other benefits in kind.

The Committee believes that the current form of contract is appropriate in order to retain and recruit Directors of an appropriate calibre. The Committee will, however, keep this and further developments under review.

The Non-Executive Directors do not have service contracts with the Company. It is the policy of the Company to appoint Non-Executive Directors for an initial period of three years. Unless otherwise determined by the Board the maximum term is nine years. These appointments are subject to appointment and re-appointment at the relevant Annual General Meeting.

Executive Directors – Outside Appointments
The Company recognises the benefits to the individual and to the Company of involvement by Executive Directors of the Company as Non-Executive Directors in companies not associated with the Company. Subject to certain conditions, each Executive Director is permitted to accept an appointment as a Non-Executive Director in another company. The Executive Director is permitted to retain any fees paid for such service. Unless otherwise determined by the Board, Executive Directors may not accept more than one such Non-Executive Directorship.

Fees for Non-Executive Directors
The remuneration of each of the Non-Executive Directors is determined by the Board as a whole within the overall limits set by the Articles of Association. The Non-Executive Directors do not take part in discussions on their remuneration.

Directors' Emoluments

A summary of the Directors' emoluments is given in Table 4·2 and individual details in Table 4·3.

Table 4·2
Directors' Remuneration Summary

	1999 £000	1998 £000
Total remuneration:		
Fees as Directors	**237**	220
Salaries and other benefits	**3,358**	3,129
Annual incentive bonus/BSRP	**1,998**	1,673
LTIP	**2,189**	2,919
	7,782	7,941
Payments for former Directors or their dependants:		
Pensions	**24**	24
Other	**–**	91
	7,806	8,056

During the year the Company provided pension contributions on behalf of Sir Dominic Cadbury as Chairman of £nil (1998: £nil) and J F Brock as the highest paid Director of £200,000 (1998: £140,000).

Table 4·3
Individual Details

	Basic Salary/Fees £000	Annual Incentive Plan/ BSRP (b) £000	LTIP award in 1999 (b) £000	Allowances and benefits (c) £000	1999 Total £000	1998 Total £000
Sir Dominic Cadbury	621	–	575	19	**1,215**	1,540
J M Sunderland	535	559	450	19	**1,563**	1,564
J F Brock	392	544	344	469	**1,749**	1,646
I D Johnston	336	260	295	118	**1,009**	854
D J Kappler	356	371	310	20	**1,057**	1,067
R J Stack	254	264	215	219	**952**	1,050
R S Braddock	62	–	–	–	**62**	60
I F H Davison	36	–	–	–	**36**	31
Sir Peter Davis (a)	19	–	–	–	**19**	–
F B Humer	36	–	–	–	**36**	31
D A R Thompson	28	–	–	–	**28**	23
Sir John Whitehead	28	–	–	–	**28**	27
Baroness Wilcox	28	–	–	–	**28**	27

(a) Appointed 7 May 1999 and resigned 17 December 1999.
(b) These awards cover the Annual Incentive Plan/BSRP and the LTIP. All the participating Directors have elected to receive their awards under the Annual Incentive Plan in the form of shares under the terms of the BSRP, as described on page 67, and all awards under the LTIP are made in shares. All the awards under the BSRP and 50% of the awards under the LTIP are held in trust for periods of three and two years respectively. Some or all of these shares may be forfeited if the Director leaves the Company before the expiry of these periods.
(c) The allowances and benefits for J F Brock, I D Johnston and R J Stack include housing and other expatriate allowances.

Long Term Incentive Plans

Details of the Old LTIP and the 1997 LTIP are described on pages 67 and 68. Ordinary shares held on behalf of the Directors in trust at 3 January 1999 and 2 January 2000, in addition to ordinary shares awarded to the Directors in 1999, are detailed in Table 4·4. All awards set out below are in respect of the Old LTIP.

Table 4·4

Long Term Incentive Plan Interests

	Shares held in trust at 3 January 1999	Share awards (a)	Vesting of share awards (b)	Vesting of share awards (c)	Shares held in trust at 2 January 2000	Value of shares vesting in year £ (d)
Sir Dominic Cadbury	24,574	166,970	(83,486)	(16,820)	91,238	452,380
J M Sunderland	7,176	108,896	(54,448)	(4,554)	57,070	266,099
J F Brock	5,016	88,706	(44,354)	(3,330)	46,038	215,055
I D Johnston	3,900	71,974	(35,988)	(2,382)	37,504	173,049
D J Kappler	4,082	75,008	(37,504)	(2,528)	39,058	180,544
R J Stack	3,070	58,410	(29,206)	(1,918)	30,356	140,369

(a) Awards for the 1996-1998 cycle approved in March 1999. These were included in the Directors' remuneration details in the Annual Report 1998.
(b) Immediate transfer of share awards in the 1996-1998 cycle vested in March 1999.
(c) Vesting of share awards for the 1994-1996 cycle in March 1999.
(d) All awards were in shares. There were no cash awards.

Pensions

Sir Dominic Cadbury is a deferred member of the Cadbury Schweppes Pension Fund ("CSPF") and the Cadbury Schweppes Supplementary Pension Scheme ("CSSPS"). J M Sunderland and D J Kappler are also members of the CSPF and the CSSPS. These are defined benefit retirement plans with a pension paid on retirement based on salary and length of service. Members contribute 5% of salary and pensionable bonus. The target benefit is two-thirds of pensionable earnings (current salary and three years average of pensionable bonuses). The normal retirement age is 60.

J F Brock and R J Stack are members of the US Supplemental Executive Retirement Plan ("SERP") as well as the US cash balance pension plan and excess plan. The SERP is a defined benefit retirement plan with a pension paid on retirement based on salary and length of service. Combined benefits are 50% of a three year average of final pensionable earnings after 15 years service and 60% after 25 or more years' service. Mr Brock and Mr Stack may retire at age 60 without a reduction factor applied to accrued benefits. The SERP has a ten year vesting period. Mr Stack's benefit has not yet vested but for the purposes of disclosure it has been assumed that benefits accrue evenly over the first ten years of membership. Mr Stack's benefits will vest on 22 August 2000.

I D Johnston is a deferred member of the Australian Cadbury Schweppes Superannuation Fund and the Sweetenam Investments Fund. Mr Johnston accrues benefits for current service under the CSPF and CSSPS for salary below the pension earnings cap, currently £90,600 a year. Mr Johnston also accrues pension benefits for pensionable salary above the earnings cap under a book reserve arrangement operated in the UK. Mr Johnston's agreed total benefit from all of these arrangements will be equivalent to 6.896 times the three year average of final pensionable earnings at his normal retirement age of 60.

Table 4·5
Pension/Retirement Arrangements

	Accrued benefit at 2 January 2000		Increase in year net of inflation	Increase in transfer value less member's contribution
	Pension £000	Lump sum £000	£000	£000
UK Pension Arrangements				
Sir Dominic Cadbury	412	–	19	373
J M Sunderland	362	–	43	782
D J Kappler	194	–	26	463
US Pension Arrangements				
J F Brock (a)	330	–	34	192
R J Stack (a)	134	–	30	149
Australian/UK Retirement Arrangements				
I D Johnston	–	1,834	391	385

(a) The pension arrangements for J F Brock and R J Stack are made in US dollars and converted, for the purpose of this information only, at the rate of US$1.62= £1.

Directors' Interests in Ordinary Shares and Share Options

The interests of the Directors holding office at 2 January 2000 ("1999") and at 3 January 1999, the beginning of the year ("1998"), in the share capital of the Company are detailed in Table 4·6 below:

Table 4·6
Interests in Ordinary Shares and Share Options

	Ordinary Shares of 12.5p (a)		Options over Ordinary Shares of 12.5p			
	1998	**1999**	1998	Granted (b)	Exercised (c)	**1999**
Sir Dominic Cadbury	1,392,250	**1,563,376**	758,812	Nil	4,156	**754,656**
R S Braddock	16,000	**16,000**	Nil	Nil	Nil	**Nil**
J F Brock	263,968	**451,038**	568,586	1,864	2,880	**567,570**
I F H Davison	3,556	**3,556**	Nil	Nil	Nil	**Nil**
F B Humer	2,086	**2,086**	Nil	Nil	Nil	**Nil**
I D Johnston	243,534	**361,110**	345,166	6,000	5,365	**345,801**
D J Kappler	222,422	**334,168**	219,382	Nil	1,956	**217,426**
R J Stack	154,106	**265,150**	324,882	1,864	35,164	**291,582**
J M Sunderland	299,514	**444,505**	632,380	Nil	Nil	**632,380**
D A R Thompson	Nil	**4,800**	Nil	Nil	Nil	**Nil**
Sir John Whitehead	2,502	**2,502**	Nil	Nil	Nil	**Nil**
Baroness Wilcox	4,406	**4,458**	Nil	Nil	Nil	**Nil**
	2,604,344	**3,452,749**	2,849,208	9,728	49,521	**2,809,415**

(a) Directors' holdings of ordinary shares include shares held in trust under both the LTIP and the BSRP.
(b) Details of individual grants of options during the year are given in Table 4·7 below.
(c) Details of individual exercises of options during the year are given in Table 4·8 on page 75.

Details of individual grants of options during the year are given in Table 4·7 below:

Table 4·7
Grants of options

	Number of shares over which options granted	Exercise price per share	Date of Grant	Name of option plan and exercise period
J F Brock	1,672(a)	US$5.97	7 April 1999	(b)
I D Johnston	6,000	A$10.355	6 April 1999	(c)
R J Stack	1,672(a)	US$5.97	7 April 1999	(b)

(a) Options over a further 192 shares were granted as detailed in note (b) to Table 4·8 on page 75.
(b) United States and Canada Employee Stock Purchase Plan 1994. Exercise period 23 April 2001 to 4 May 2001.
(c) Australia and New Zealand 1993 Employee Options Contribution Plan. Exercise period 14 August 2000 to 10 September 2000 or 13 August 2001 to 9 September 2001 or 12 August 2002 to 8 September 2002.

Details of individual exercises of options during the year, divided between savings-related options and executive options, together with the market price of the shares and total notional gain at the date of exercise, are given in Table 4·8 below:

Table 4·8
Exercises of options

	Number of shares over which options exercised					
	Savings related options	Executive options	Name of option plan and exercise period	Exercise price	Market price on exercise £	Notional gain £
Sir Dominic Cadbury	4,156		(a)	£1.55895	4.843	13,649
J F Brock	2,880		(b)	US$3.71210	4.445	6,182
I D Johnston	2,465		(c)	A$4.94500	4.185	5,405
	2,900		(d)	A$9.75500	4.185	739
						6,144
D J Kappler	1,956		(a)	£1.76335	4.843	6,024
R J Stack	2,880		(b)	US$3.71210	4.445	6,182
		32,284	(e)	£1.49935	4.520	97,519
						103,701

The total notional gains on exercise amounted to £135,700 (1998: £398,993).
(a) Savings-Related Share Option Scheme 1982. The exercise period expired on 31 July 1999.
(b) United States and Canada Employee Stock Purchase Plan 1994. The number of ordinary shares acquired by each of J F Brock and R J Stack included 2,688 shares originally granted plus 192 shares which were attributable to the interest earned on the savings. The exercise period expired on 23 April 1999.
(c) Australia and New Zealand 1993 Employee Options Contribution Plan. The exercise period expired on 11 September 1999. There is a further exercise period for unexercised options granted under the same offer: 14 August 2000 to 10 September 2000.
(d) Australia and New Zealand 1993 Employee Options Contribution Plan. The exercise period expired on 11 September 1999. There are two further exercise periods for unexercised options granted under the same offer: 14 August 2000 to 10 September 2000 and 13 August 2001 to 9 September 2001.
(e) Share Option Scheme 1986 for Senior Management Overseas. Exercise period 21 September 1993 to 20 September 2000.

The market prices of ordinary shares at 4 January 1999 and 30 December 1999, the first and last dealing days in the year, were £5.095 and £3.74 respectively.

The weighted average exercise price of grants of options held at the year end, 2 January 2000, are given in Table 4·9 below:

Table 4·9

	Number of shares over which options have been granted	Weighted average exercise price in £ per share
Sir Dominic Cadbury	754,656	2.2396
J F Brock	567,570	2.1855
I D Johnston	345,801	2.3932
D J Kappler	217,426	2.5075
R J Stack	291,582	2.3366
J M Sunderland	632,380	2.3240

Directors' Interests in Ordinary Shares and Share Options continued
As a consequence of the establishment of the QUEST (see page 69) the Executive Directors are treated as being interested in any dealings in the Company's shares by the QUEST. During the period 3 January 1999 to 24 February 2000 the QUEST acquired a total of 7,850,905 ordinary shares in the Company by subscription at prices between 155.895 pence and 516.75 pence per share. Those ordinary shares were all transferred by the QUEST to individuals who had exercised options under the Savings-Related Share Option Scheme 1982. At 24 February 2000 the QUEST held no ordinary shares in the Company.

The following Directors have interests in the Common Stock of US$0.01 each of Dr Pepper/ Seven Up Bottling Group, Inc ("DPSUBG") (the holding company of the Group's American bottling operations) in which the Company has an ultimate 40.6% interest: J F Brock 2,500; D J Kappler 500; I D Johnston 500 and R J Stack 250. J F Brock continues to hold an option over 36,000 Class C shares in American Bottling Holdings, Inc (the former holding company of the Group's American bottling operations) granted on 18 May 1998. A grant of options over shares in DPSUBG has yet to be determined.

There were the following changes in the interests of Directors between 3 January 2000 and 24 February 2000: on 1 February 2000: (a) J M Sunderland acquired a further 24 ordinary shares through the reinvestment of dividends by the administrator of his Single Company Personal Equity Plan; and (b) D J Kappler exercised an option over 510 ordinary shares at 175.565p per share under the Savings-Related Share Option Scheme 1982, retaining the acquired shares; and on 8 February 2000, Baroness Wilcox acquired a further 2,400 ordinary shares through an investment undertaken by the investment manager of her discretionary personal pension plan.

Save as disclosed, there have been no other changes in the interests of the Directors between 3 January 2000 and 24 February 2000.

All the interests detailed above were beneficial. The non-beneficial interests of Sir Dominic Cadbury were 1,526,210 ordinary shares (1998: 1,526,210). Save as disclosed, none of the Directors had any other interest in the securities of the Company or the securities of any other company in the Group.

The Register of Directors' Interests, which is open to inspection, contains full details of Directors' shareholdings and options.

By Order of the Board
M A C Clark
Secretary
24 February 2000

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Group Financial Record

Turnover and Profits	1999 £m	1998 £m
Turnover (d)		
United Kingdom	**989**	1,003
Europe	**818**	799
Americas	**1,668**	1,515
Pacific Rim	**543**	505
Africa and Others	**283**	284
	4,301	4,106
Trading Profit (d)		
United Kingdom	**122**	122
Europe	**62**	61
Americas	**386**	344
Pacific Rim	**96**	79
Africa and Others	**35**	36
	701	642
Major restructuring (a) (c)	**(64)**	(23)
Exceptional items	**–**	(68)
Amortisation of goodwill	**(3)**	–
Group operating profit	**634**	551
Share of operating profit in associates	**35**	38
Total operating profit including associates	**669**	589
Disposal of subsidiaries, investments and properties	**350**	38
Net interest	**(61)**	(57)
Profit before Taxation	**958**	570
Taxation	**(215)**	(181)
Minority interests and Preference dividends	**(101)**	(41)
Profit for the Financial Year	**642**	348
Dividends to ordinary shareholders	**(202)**	(194)
Profit Retained for the Financial Year	**440**	154
Cash Flows		
Cash flow from operating activities and associates	**837**	698
Capital expenditure, net	**(108)**	(143)
Taxation, returns on investments and servicing of finance	**(241)**	(212)
Ordinary dividends	**(196)**	(186)
Free cash flow	**292**	157
Acquisitions, disposals and Employee Trust share purchases	**125**	(79)
Cash flow before use of liquid resources and financing	**417**	78
Balance Sheets		
Assets employed		
Intangible fixed assets and goodwill	**1,725**	1,607
Tangible fixed assets	**1,091**	1,126
Fixed asset investments	**385**	171
Working capital (c)	**(132)**	(100)
Provisions (c)	**(263)**	(158)
	2,806	2,646
Financed by		
Net borrowings	**182**	506
Minority interests	**384**	297
Preference share capital (b)	**–**	–
Ordinary shareholders' funds	**2,240**	1,843
	2,806	2,646

(a) Includes acquisition-related restructuring from 1995 onwards (prior to this such costs were included in goodwill)
(b) Stated at redemption value
(c) Restated to comply with FRS12 for the years 1994 to 1999
(d) Analysis of discontinued operations is not given above but is shown for the years 1997 to 1999 in the Segmental Analysis on page 91

1997 £m	1996 £m	1995 £m	1994 £m	1993 £m	1992 £m	1991 £m	1990 £m
1,069	1,893	1,830	1,729	1,614	1,546	1,506	1,476
788	879	890	775	741	701	656	638
1,478	1,456	1,222	767	644	513	438	404
573	614	575	539	508	448	491	495
312	273	259	220	218	164	141	133
4,220	5,115	4,776	4,030	3,725	3,372	3,232	3,146
132	231	221	231	195	186	160	143
59	55	65	68	64	49	77	68
318	304	261	132	101	73	42	43
78	87	75	67	69	56	64	58
41	35	27	30	26	20	19	22
628	712	649	528	455	384	362	334
(26)	(45)	(38)	(17)	(19)	(13)	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
602	667	611	511	436	371	362	334
31	31	28	15	13	14	9	(4)
633	698	639	526	449	385	371	330
412	–	14	–	10	(1)	1	4
(64)	(110)	(116)	(42)	(43)	(51)	(57)	(57)
981	588	537	484	416	333	315	277
(261)	(180)	(158)	(155)	(129)	(94)	(88)	(78)
(35)	(72)	(68)	(61)	(50)	(43)	(34)	(26)
685	336	311	268	237	196	193	173
(182)	(171)	(159)	(131)	(117)	(98)	(88)	(80)
503	165	152	137	120	98	105	93
733	869	791	674	612	506	459	444
(204)	(256)	(227)	(222)	(183)	(170)	(184)	(185)
(205)	(327)	(308)	(243)	(148)	(150)	(127)	(146)
(167)	(149)	(55)	(123)	(96)	(86)	(79)	(73)
157	137	201	86	185	100	69	40
36	(153)	(1,170)	(84)	(480)	(251)	(48)	(182)
193	(16)	(969)	2	(295)	(151)	21	(142)
1,575	1,547	1,689	522	546	385	308	304
1,221	1,398	1,432	1,346	1,288	1,241	1,054	979
73	69	60	200	196	42	34	17
1	(11)	(31)	23	(65)	7	(20)	44
(239)	(89)	(102)	(107)	(98)	(83)	(54)	(96)
2,631	2,914	3,048	1,984	1,867	1,592	1,322	1,248
649	1,227	1,344	351	357	378	333	364
306	387	371	128	145	130	112	116
–	104	113	180	192	189	156	152
1,676	1,196	1,220	1,325	1,173	895	721	616
2,631	2,914	3,048	1,984	1,867	1,592	1,322	1,248

Financial Ratios and Stream Analysis

			1999	1998
Earnings per Ordinary Share (e) – Basic		pence	**31.7**	17.1
	Diluted	pence	**31.3**	16.9
	Underlying	pence	**19.5**	19.3
Dividends per Ordinary Share (e)		pence	**10.0**	9.5
Interest cover		times	**11.0**	11.5
Dividend cover		times	**2.0**	2.0
Gearing ratio		%	**8**	27
Turnover	Beverages (b)	£m	**2,001**	1,830
	Discontinued operations (c)	£m	**67**	107
	Confectionery	£m	**2,233**	2,169
Trading profit (a)	Beverages (b)	£m	**392**	336
	Discontinued operations (c)	£m	**16**	26
	Confectionery	£m	**293**	280
Operating assets	Beverages (b)	£m	**154**	255
	Discontinued operations (c)	£m	**–**	5
	Confectionery	£m	**993**	1,002
Trading margin (a)(b)	Beverages	%	**19.6**	18.4
	Confectionery	%	**13.1**	12.9
Operating asset turnover (b)	Beverages	times	**9.0**	6.1
	Confectionery	times	**2.3**	2.1

Underlying EPS = Profit for the Financial Year excluding exceptional items, goodwill amortisation, disposal gains and losses / Weighted average number of ordinary shares in issue

Interest cover = Total operating profit including associates and excluding exceptional items / Net interest charge

Dividend cover = Underlying Earnings per ordinary share / Dividend per ordinary share

Gearing ratio = Net borrowings / Ordinary shareholders' funds (b) + Equity minority interests

Operating assets Tangible fixed assets, stock, debtors and creditors after excluding post-acquisition restructuring provisions, borrowings, taxation and dividends

Trading margin = Trading profit (a) / Turnover

Operating assets turnover = Turnover / Average operating assets

(a) Excluding restructuring costs, goodwill amortisation and exceptional items (see Note 3 to the Financial Statements)
(b) From continuing operations
(c) Discontinued operations represent the Group's former UK bottling operations and beverages brands disposed of in 1999
(d) After stating preference shares at their redemption value (see Note 21(e) to the Financial Statements)
(e) The Company undertook a two for one share split in May 1999. The number of shares used in calculating dividends per share and earnings per share has been restated for prior periods

1997	1996	1995	1994	1993	1992	1991	1990
34.0	16.9	16.2	16.1	14.7	12.7	13.0	12.0
33.7	16.2	15.5	15.4	14.6	12.6	12.9	11.7
18.3	16.9	15.5	16.1	15.4	13.3	13.5	12.6
9.0	8.5	8.0	7.5	6.9	6.3	5.9	5.5
9.9	6.3	5.5	12.5	10.4	7.5	6.5	5.8
2.0	2.0	1.9	2.0	2.0	2.0	2.2	2.2
37	91	100	24	27	37	40	50
1,851	1,857	1,824	1,321	1,232	1,092	1,061	1,021
149	1,018	985	882	833	811	784	802
2,220	2,240	1,967	1,827	1,660	1,469	1,387	1,323
317	297	266	142	120	86	96	91
29	148	143	151	127	111	96	80
282	267	240	235	208	187	170	163
271	253	325	273	259	336	313	324
2	216	201	318	369	346	275	241
1,041	1,028	995	863	743	686	576	548
17.1	16.0	14.6	10.8	9.7	7.9	9.0	8.9
12.7	11.9	12.2	12.9	12.5	12.7	12.3	12.3
4.9	3.9	3.5	2.2	1.9	1.8	1.9	2.1
2.2	2.2	2.1	2.3	2.3	2.3	2.5	2.5

US GAAP Financial Record

The Financial Statements are prepared in accordance with UK GAAP which differs in certain significant respects from US GAAP. A reconciliation to US GAAP is set out in Note 31 to the Financial Statements.

	1999 US$m	**1999 £m**	1998 £m	1997 £m	1996 £m	1995 £m
			(except per share data)			
Amounts in Accordance with US GAAP						
Trading profit from continuing operations (a)(b)	**873**	**539**	470	489	451	405
Profit from continuing operations (b)	**962**	**594**	257	260	208	181
Profit for the Financial Year (a)	**962**	**594**	257	617	247	217
Basic earnings per ADS from continuing operations (b)	**1.89**	**1.17**	0.51	0.52	0.42	0.38
Basic earnings per ADS	**1.89**	**1.17**	0.51	1.22	0.50	0.46
Underlying earnings per ADS (c)	**1.02**	**0.63**	0.61	0.54	0.50	0.42
Dividends (including tax credit up to 1996) per ADS	**0.63**	**0.39**	0.38	0.36	0.42	0.40
Total assets	**9,398**	**5,837**	5,568	5,908	5,736	5,953
Long term debt	**501**	**311**	499	673	797	864
Shareholders' funds	**5,094**	**3,164**	2,882	2,814	2,485	2,626

(a) Trading profit is stated after restructuring charges and amortisation relating to goodwill and other intangibles.
Profit for the Financial Year is stated after deducting preference dividends.
(b) Discontinued operations represent the Group's former UK bottling operations. The beverages brands disposed in 1999 are not included as discontinued operations under US GAAP as they do not constitute a separate business segment.
(c) Underlying earnings per ADS represents earnings per ADS excluding exceptional items and gains and losses on disposals of subsidiaries and investments. Gains and losses on disposals of subsidiaries and investments, net of tax and minority interests, were gains of £250m in 1999, £23m in 1998, £317m in 1997 and £14m in 1995. No disposal gains or losses arose in 1996. The US GAAP gains on disposals of subsidiaries and investments are equivalent, with the exception of 1999, in which the US GAAP gain was £273m and 1997 in which the US GAAP gain was £345m. Exceptional items, net of tax, arose in 1998 only, and amounted to £68m; under US GAAP the charge was £75m.

6 Financial Statements

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6

Statement of Directors' responsibilities in relation to Financial Statements

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

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the Group's profit or loss and cash flows for the financial year.

The Directors consider that in preparing the financial statements the Company and Group have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed. The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and Group and which enable them to ensure that the financial statements comply with the Companies Act 1985.

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

Auditors' Report

To the Shareholders of Cadbury Schweppes plc

We have audited the financial statements on pages 86 to 130 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 93 to 97. We have also examined the amounts disclosed relating to the emoluments, share options, long-term incentive scheme interests and pension benefits of the directors which form part of the Report of the Directors on pages 71 to 76.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report including, as described above, preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

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. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 or the Listing Rules regarding directors' remuneration and transactions with the Company and the Group is not disclosed.

We review whether the corporate governance statement on pages 66 to 76 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board, which are substantially consistent with generally accepted auditing standards in the United States. 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 judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements (a) give a true and fair view of the state of affairs of the Company and of the Group at 2 January 2000 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and (b) present fairly in all material respects, the consolidated financial position of the Group at 2 January 2000 and 2 January 1999 and the consolidated results of its operations and cash flows for each of the three years in the period ended 2 January 2000, in conformity with generally accepted UK accounting principles.

Accounting practices used by the Group in preparing the accompanying financial statements conform with generally accepted principles in the United Kingdom but do not conform with accounting principles generally accepted in the United States. A description of these differences and a complete reconciliation of consolidated net income and shareholders' equity to United States generally accepted accounting principles is set forth in Note 31 to the financial statements.

Arthur Andersen
Chartered Accountants and Registered Auditors
London
24 February 2000

Group Profit and Loss Account for the 52 weeks ended 2 January 2000 (Note 1)

Notes		1999 £m	1998 £m	1997 £m
	Turnover*			
	Continuing operations	**4,234**	3,999	4,071
2	Discontinued operations	**67**	107	149
		4,301	4,106	4,220
3	**Operating costs**			
	Trading expenses	**(3,603)**	(3,464)	(3,592)
	Major restructuring costs	**(64)**	(23)	(28)
	Exceptional items	**–**	(68)	–
		(3,667)	(3,555)	(3,620)
	Trading Profit*			
	Continuing operations	**618**	525	571
2	Discontinued operations	**16**	26	29
	Group Operating Profit	**634**	551	600
12	Share of operating profit in associates	**35**	38	31
	Total Operating Profit including associates	**669**	589	631
2	Profit on sale of subsidiaries and investments	**350**	38	412
	Profit on Ordinary Activities Before Interest	**1,019**	627	1,043
6	Net interest	**(61)**	(57)	(64)
	Profit on Ordinary Activities Before Taxation	**958**	570	979
7	Taxation			
	– On operating profit, associates and interest	**(181)**	(172)	(164)
	– On profit on sale of subsidiaries and investments	**(34)**	(9)	(95)
		(215)	(181)	(259)
	Profit on Ordinary Activities After Taxation	**743**	389	720
22	Equity minority interests	**(79)**	(20)	(12)
22	Non-equity minority interests	**(22)**	(21)	(22)
8	Preference dividends	**–**	–	(1)
	Profit for the Financial Year	**642**	348	685
8	Dividends paid and proposed to ordinary shareholders	**(202)**	(194)	(182)
	Profit Retained for the Financial Year	**440**	154	503
9	**Earnings per Ordinary Share of 12.5p**			
	Basic	**31.7p**	17.1p	34.0p
	Diluted	**31.3p**	16.9p	33.7p
	Underlying	**19.5p**	19.3p	18.3p
	Underlying pre-restructuring	**22.5p**	20.4p	19.3p

*The stream and geographical analysis of turnover and trading profit is on pages 90 and 91 and shows trading profit from continuing operations of £685m (1998: £616m; 1997: £599m) which excludes major restructuring costs, goodwill amortisation and exceptional items.

The accompanying notes are an integral part of the Group Profit and Loss Account.

Recognised Gains and Losses for the 52 weeks ended 2 January 2000 (Note 1)

Statement of Total Recognised Gains and Losses

Notes		1999 £m	1998 £m	1997 £m
	Cadbury Schweppes plc	**95**	(8)	455
	Subsidiary undertakings	**536**	334	220
	Associated undertakings	**11**	22	10
	Profit for the Financial Year	**642**	348	685
	Currency translation differences	**(25)**	(15)	(56)
	Revaluation of fixed assets	**–**	(3)	–
	Total Recognised Gains and Losses for the Year	**617**	330	629

Reconciliation of Movements in Shareholders' Funds

Notes		1999 £m	1998 £m	1997 £m
	Shareholders' Funds at beginning of year as previously stated	**1,843**	1,669	1,287
1(b)	Prior year adjustment	**–**	7	13
	Shareholders' Funds at beginning of year restated	**1,843**	1,676	1,300
	Total recognised gains and losses for the year	**617**	330	629
	Dividends to ordinary shareholders	**(202)**	(194)	(182)
	New share capital subscribed	**17**	31	39
	Shares repurchased	**(86)**	–	–
2	Goodwill adjustments	**51**	–	(3)
	Redemption of Preference Shares	**–**	–	(107)
	Net increase in Shareholders' Funds	**397**	167	376
	Shareholders' Funds at end of year	**2,240**	1,843	1,676

Details of the impact of the prior year adjustment on prior period earnings is given in Note 1(b). There is no impact on earnings or shareholders' funds in 1999.

Balance Sheets at 2 January 2000 (Note 1)

Notes		Group 1999 £m	Group 1998 £m	Company 1999 £m	Company 1998 £m
	Fixed Assets				
10	Intangible assets and goodwill	**1,725**	1,607	**–**	–
11	Tangible assets	**1,091**	1,126	**19**	19
12	Investments in associates	**296**	170	**11**	11
12	Investments	**89**	1	**3,838**	3,612
		3,201	2,904	**3,868**	3,642
	Current Assets				
13	Stocks	**404**	409	**–**	–
14	Debtors				
	– Due within one year	**769**	741	**75**	54
	– Due after one year	**29**	19	**5**	6
19	Investments	**410**	416	**–**	–
19	Cash at bank and in hand	**151**	104	**–**	–
		1,763	1,689	**80**	60
	Current Liabilities				
	Creditors: amounts falling due within one year				
19	– Borrowings	**(432)**	(527)	**(1,435)**	(927)
15	– Other	**(1,283)**	(1,217)	**(304)**	(286)
	Net Current Assets/(Liabilities)	**48**	(55)	**(1,659)**	(1,153)
	Total Assets less Current Liabilities	**3,249**	2,849	**2,209**	2,489
	Non-Current Liabilities				
	Creditors: amounts falling due after more than one year				
19	– Borrowings	**(311)**	(499)	**(736)**	(850)
15	– Other	**(51)**	(52)	**–**	–
16	Provisions for liabilities and charges	**(263)**	(158)	**(1)**	(1)
		(625)	(709)	**(737)**	(851)
	Net Assets	**2,624**	2,140	**1,472**	1,638
	Capital and Reserves				
21	Called up share capital	**253**	254	**253**	254
21	Share premium account	**942**	916	**942**	916
21	Capital redemption reserve	**90**	87	**90**	87
21	Revaluation reserve	**61**	63	**1**	1
21	Profit and loss account	**894**	523	**186**	380
	Shareholders' Funds	**2,240**	1,843	**1,472**	1,638
	Minority Interests				
22	Equity minority interests	**139**	61	**–**	–
22	Non-equity minority interests	**245**	236	**–**	–
		384	297	**–**	–
	Total Capital Employed	**2,624**	2,140	**1,472**	1,638

On behalf of the Board
Directors: Sir Dominic Cadbury
D J Kappler
24 February 2000

The accompanying notes are an integral part of the Balance Sheets.

Group Cash Flow Statement for the 52 weeks ended 2 January 2000 (Note 1)

Notes		1999 £m	1998 £m	1997 £m
26	**Cash flow from operating activities**	**824**	686	719
	Dividends received from associates	**13**	12	14
	Returns on investments and servicing of finance			
	Interest paid	**(131)**	(123)	(136)
	Interest received	**78**	63	71
	Dividends paid to minority interests	**(27)**	(30)	(27)
	Dividends paid on Cadbury Schweppes plc Preference Shares	**–**	–	(1)
		(80)	(90)	(93)
	Taxation	**(161)**	(122)	(112)
	Capital expenditure and financial investments			
	Purchases of tangible fixed assets	**(128)**	(157)	(213)
	Disposals of tangible fixed assets	**20**	14	9
	Purchases of shares by the Employee Trust	**(88)**	–	–
		(196)	(143)	(204)
	Acquisitions and disposals			
23	Acquisitions of businesses	**(350)**	(96)	(95)
	Expenditure on post-acquisition restructuring	**–**	(4)	(15)
	Proceeds from sale of subsidiaries and investments	**563**	21	146
		213	(79)	36
	Dividends paid to ordinary shareholders	**(196)**	(186)	(167)
	Cash inflow before use of liquid resources and financing	**417**	78	193
	Management of liquid resources			
	Net change in commercial paper investments	**216**	24	(235)
	Redemption of loan notes	**–**	278	180
	Net change in bank deposits	**(56)**	(45)	(80)
	Net change in bond investments	**(81)**	11	(14)
	Net change in equity and non-equity investments	**(66)**	(4)	–
		13	264	(149)
	Financing			
21	Issues of ordinary shares	**17**	31	33
	Share repurchases	**(79)**	–	–
21	Redemption of Preference Shares	**–**	–	(107)
	Issues of shares to minorities in subsidiary undertakings	**–**	–	5
	Proceeds of new borrowings	**111**	129	433
	Borrowings repaid	**(407)**	(484)	(402)
	Proceeds of finance leases	**–**	6	6
	Capital element of finance leases repaid	**(6)**	(6)	(6)
	Net cash outflow from financing	**(364)**	(324)	(38)
	Increase in cash	**66**	18	6
	Free cash flow			
	Cash inflow before use of liquid resources and financing	**417**	78	193
	Add back:			
	Cash flows from acquisitions and disposals	**(213)**	79	(36)
	Purchases of shares by the Employee Trust	**88**	–	–
		292	157	157

Segmental Analysis for the 52 weeks ended 2 January 2000 (Note 1)

1999 – Continuing Operations	Total £m	United Kingdom £m	Europe £m	Americas £m	Pacific Rim £m	Africa and Others £m
Sales						
Beverages	2,001	11	352	1,371	196	71
Confectionery	2,233	943	465	286	339	200
	4,234	954	817	1,657	535	271
Trading Profit (a)						
Beverages	392	(18)	40	339	22	9
Confectionery	293	137	22	42	70	22
	685	119	62	381	92	31
Operating Assets						
Beverages	154	(27)	(2)	119	48	16
Confectionery	993	386	192	109	180	126
	1,147	359	190	228	228	142
Trading Margin (a)	%	%	%	%	%	%
Beverages	19.6	N/A	11.4	24.7	11.2	12.7
Confectionery	13.1	14.5	4.7	14.7	20.6	11.0
	16.2	12.5	7.6	23.0	17.2	11.4

1998 – Continuing Operations	Total £m	United Kingdom £m	Europe £m	Americas £m	Pacific Rim £m	Africa and Others £m
Sales						
Beverages	1,830	11	340	1,225	189	65
Confectionery	2,169	948	453	265	304	199
	3,999	959	793	1,490	493	264
Trading Profit (a)						
Beverages	336	(16)	37	290	17	8
Confectionery	280	134	23	43	58	22
	616	118	60	333	75	30
Operating Assets						
Beverages	255	(36)	58	170	47	16
Confectionery	1,002	366	218	107	178	133
	1,257	330	276	277	225	149
Trading Margin (a)	%	%	%	%	%	%
Beverages	18.4	N/A	10.9	23.7	9.0	12.3
Confectionery	12.9	14.1	5.1	16.2	19.1	11.1
	15.4	12.3	7.6	22.3	15.2	11.4

Segmental Analysis for the 52 weeks ended 2 January 2000 (Note 1) continued

1997 – Continuing Operations	Total £m	United Kingdom £m	Europe £m	Americas £m	Pacific Rim £m	Africa and Others £m
Sales						
Beverages	1,851	26	357	1,190	210	68
Confectionery	2,220	955	427	267	351	220
	4,071	981	784	1,457	561	288
Trading Profit (a)						
Beverages	317	(8)	35	267	15	8
Confectionery	282	132	23	41	59	27
	599	124	58	308	74	35
Operating Assets						
Beverages	271	(35)	63	166	56	21
Confectionery	1,041	353	243	106	187	152
	1,312	318	306	272	243	173
Trading Margin (a)	%	%	%	%	%	%
Beverages	17.1	N/A	9.8	22.4	7.1	11.8
Confectionery	12.7	13.8	5.4	15.4	16.8	12.3
	14.7	12.6	7.4	21.1	13.2	12.2

(a) Excluding major restructuring costs of £64m in 1999, £23m in 1998 and £28m in 1997, goodwill amortisation of £3m in 1999 (1998 and 1997: £nil) and exceptional items of £68m in 1998.

Trading profit for beverages and confectionery in the UK is stated after deducting corporate costs which have been allocated equally. Sales and trading profit by destination and origin are not materially different.

1999 – Discontinued Operations	**Total £m**	**United Kingdom £m**	**Europe £m**	**Americas £m**	**Pacific Rim £m**	**Africa and Others £m**
Sales	**67**	**35**	**1**	**11**	**8**	**12**
Trading Profit	**16**	**3**	**–**	**5**	**4**	**4**
Operating Assets	**–**	**–**	**–**	**–**	**–**	**–**

1998 – Discontinued Operations	Total £m	United Kingdom £m	Europe £m	Americas £m	Pacific Rim £m	Africa and Others £m
Sales	107	44	6	25	12	20
Trading Profit	26	4	1	11	4	6
Operating Assets	5	(2)	1	2	–	4

1997 – Discontinued Operations	Total £m	United Kingdom £m	Europe £m	Americas £m	Pacific Rim £m	Africa and Others £m
Sales	149	88	4	21	12	24
Trading Profit	29	8	1	10	4	6
Operating Assets	2	(4)	–	2	(1)	5

All discontinued operations relate to beverages operations.

Supplementary Reportable Segment Information

	1999 £m	1998 £m	1997 £m
Depreciation and amortisation			
Beverages	**43**	42	41
Confectionery	**110**	163	104
	153	205	145
Capital Expenditure			
Beverages	**39**	54	74
Confectionery	**88**	108	135
	127	162	209
Identifiable Assets			
Beverages	**2,948**	2,633	2,637
Confectionery	**2,017**	1,960	2,130
	4,965	4,593	4,767

Corporate assets have been allocated equally to each segment.

Supplementary Geographical Information

	Sales			Fixed Assets	
	1999 £m	1998 £m	1997 £m	1999 £m	1998 £m
UK	**989**	1,003	1,069	**528**	444
US	**1,283**	1,100	1,055	**1,834**	1,595
Australia	**423**	402	450	**158**	154
All others	**1,606**	1,601	1,646	**681**	711
	4,301	4,106	4,220	**3,201**	2,904

1 Nature of Operations and Accounting Policies

(a) Nature of operations and segmental results

The Group's operations are managed on the basis of its two industry segments: beverages and confectionery. These segments manufacture, market and distribute branded beverage and confectionery products in almost 200 countries. The products are distributed through a wide range of channels and are sold primarily to consumers through grocery stores, smaller retail outlets, vending machines, restaurants and bars. The volume of sales can be affected by seasonal factors, primarily summer weather and festive occasions such as Easter and Christmas.

Significant measures used by management in assessing segment performance include sales, trading profit (before major restructuring costs, goodwill amortisation and exceptional items) and trading margins (before major restructuring costs, goodwill amortisation and exceptional items). The basis of accounting for these measures is UK generally accepted accounting principles. Transactions between reportable segments are not material.

(b) Accounting convention

The financial statements are prepared under the historical cost convention modified for the revaluation of certain land and buildings. The financial statements are prepared in accordance with applicable accounting standards all of which have been applied consistently throughout the year and the preceding year, with the exception of accounting standards adopted in the current year.

The following Financial Reporting Standards (FRS) have been adopted in these financial statements: FRS 12 “Provisions, Contingent Liabilities and Contingent Assets” and FRS 15 “Tangible Fixed Assets”.

The requirements of FRS 15 are discussed further in Note 1(n), “Revaluation of Properties”. The adoption of this standard has not resulted in a restatement of prior year results.

FRS 12 has resulted in a restatement of prior year results due to its impact on the timing of recognition of restructuring provisions. There is no impact on profit in 1999, but earnings in 1998 and 1997 have been reduced by £7m and £6m respectively.

(c) Financial year

The financial statements are made up to the Sunday nearest to 31 December. Periodically this results in a financial year of 53 weeks. Prior to 1999, the financial statements were made up to the Saturday nearest to 31 December. The profit and loss accounts cover the 52 weeks from 3 January 1999 to 2 January 2000, the 52 weeks from 4 January 1998 to 2 January 1999 and the 53 weeks from 29 December 1996 to 3 January 1998. The balance sheets for 1999 and 1998 have been drawn up at 2 January 2000 and 2 January 1999 respectively.

(d) Basis of consolidation

The financial statements are presented in the form of Group accounts and no profit and loss account is presented for Cadbury Schweppes plc itself as the exemption in Section 230 of the Companies Act 1985 applies.

The Group financial statements consolidate the accounts of the parent company and its subsidiary undertakings after eliminating internal transactions and recognising the minority interests in those subsidiary undertakings.

(e) Acquisition or disposal of subsidiary undertakings

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

1 Nature of Operations and Accounting Policies continued

(f) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates ruling at the end of the financial year except when covered by an open foreign exchange contract in which case the rate of exchange specified in the contract is used.

Differences on exchange arising from the translation of both the opening balance sheets of overseas subsidiary undertakings (date of control in case of acquisition during the year) and foreign currency borrowings used to finance or hedge long term foreign investments are taken directly to reserves. All other profits and losses on exchange are credited or charged to operating profit.

The results of overseas undertakings are translated into sterling at average rates. The exchange differences arising as a result of re-stating net assets to closing rates are dealt with as movements on reserves.

(g) Turnover

This represents the invoiced value of sales (net of trade discounts) and royalties excluding inter-company sales, value added tax and sales taxes.

(h) Research and development expenditure

Expenditure is written off in the financial year in which it is incurred.

(i) Earnings per Ordinary Share

Basic Earnings per Ordinary Share is calculated by dividing the profit on ordinary activities after taxation, minority interests and preference dividends by the weighted average number of shares in issue during the year. Diluted EPS is calculated by dividing profit on ordinary activities after taxation, minority interests and preference dividends by the weighted average number of shares in issue during the year increased by the effects of all dilutive potential ordinary shares (primarily share options).

Underlying EPS represents Basic EPS, adjusted in order to exclude exceptional items, goodwill amortisation, and profits and loss on disposal of subsidiaries and investments. Underlying EPS pre-restructuring additionally excludes major restructuring costs, net of tax, in order to present underlying earnings before restructuring costs.

(j) Taxation

Credit is taken for advance corporation tax paid to the extent that it is recoverable against the liability to corporation tax in the foreseeable future.

Deferred taxation recoverable is recognised on long term timing differences arising from provisions for pensions and other post-retirement benefits. Deferred taxation recoverable is also recognised in respect of losses where recovery of the taxation is reasonably certain. Provision is made for deferred taxation, using the liability method, on other timing differences to the extent that these amounts are regarded as likely to become payable in the foreseeable future.

The principal categories of timing differences are:
- the excess of book value of fixed assets over their tax written down value;
- income and expenditure in the financial statements of the current year dealt with in other years for taxation purposes; and
- revaluation surpluses in respect of projected property sales on the assumption that the properties are sold at the revalued amounts.

(k) Stocks

Stocks are valued at the lower of average cost and estimated net realisable value. Cost comprises direct material and labour costs together with the relevant factory overheads (including depreciation)

on the basis of normal activity levels. In the case of cocoa, cost also reflects the use of the futures market on the basis of forecast physical requirements.

(l) Tangible fixed assets
Depreciation is charged on the original cost or subsequent valuation of assets (excluding freehold land and assets in course of construction). The principal rates, using the straight line method, are as follows:

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

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

In specific cases higher depreciation rates are used e.g. high speed machinery, machinery subject to technological changes or any machinery with a high obsolescence factor. The rates used overseas are not materially different from the rates used above, but they vary according to local conditions and requirements. Interest costs incurred in funding major capital construction programmes are capitalised during the construction period and depreciated over the life of the related asset.

(m) Fixed assets held under leases
Where assets are financed by leasing agreements 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 an obligation 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.

(n) Revaluation of properties
Prior to 1999, freehold and leasehold properties were revalued every five years. Any overall surplus over book value was credited to the revaluation reserve and any overall deficit below historical cost was charged to the profit and loss account in the year of revaluation. On adoption of FRS 15 in 1999 (see Note 1(b)), the Group has decided that no further revaluations will be undertaken. Transfers are made to retained profits each year in order to amortise surpluses over the remaining useful lives of the properties. On disposal the profit or loss is calculated by reference to the net book value and any unamortised revaluation surplus is transferred from revaluation reserves to retained profits.

(o) Intangibles and goodwill
Intangibles represent significant owned brands acquired since 1985 valued at historical cost. No amortisation is charged as the annual results reflect significant expenditure in support of these brands and the carrying values are reviewed on an annual basis for any impairment in value.

Prior to 1998, goodwill, being any excess of the consideration over fair value, was written off against reserves on consolidation. Upon disposal of a previously acquired business the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

Since 1998, acquired goodwill has been capitalised and its subsequent measurement (via annual impairment review or an annual amortisation charge) determined based on the individual circumstances of each business acquired. Goodwill written off to reserves prior to 1998 has not been recorded on the balance sheet.

1 Nature of Operations and Accounting Policies continued

(o) Intangibles and goodwill continued

The Group has concluded that goodwill arising on its associates, Dr Pepper/Seven Up Bottling Group ("DPSUBG") and Amalgamated Beverage Industries Ltd ("ABI"), should not be amortised as it has an indefinite useful economic life. Both of these investments are considered to have indefinite durability that can be demonstrated, and the value of both investments can be readily measured.

DPSUBG operates in a longstanding and profitable market sector; the US soft drinks bottling industry has over 100 years of history. The sector has high market entry barriers due to the nature of licence agreements with soft drink concentrate owners (including the Group's subsidiary Dr Pepper/Seven Up, Inc. ("DPSU")) and the capital required to operate as a bottler and distributor. As an associate, the company is managed separately from the Group and can be valued on a discounted cash flow basis.

ABI operates in the South African soft drinks bottling industry with similar high market entry barriers and has valuable licence agreements which give it market leadership in significant regions of the country, including Johannesburg. ABI is a listed company and the value of the Group's investment can be determined by reference to the share price.

The Group has not amortised this goodwill, a departure from the Companies Act 1985 Paragraph 21 of Schedule 4, for the over-riding purpose of giving a true and fair view of the Group's results, for the reasons outlined above. If the goodwill arising on DPSUBG and ABI had been amortised over a period of 20 years, operating profit and investment in associates would have decreased by £10m in 1999 (1998: £5m).

(p) Associated undertakings

All companies where the Group exercises significant influence, normally by board representation and/or ownership of 20% of the voting rights on a long term basis, are treated as associated undertakings. The value of associated undertakings reflects the Group's share of the net assets of the companies concerned. The Group's share of the profit before tax of associated undertakings is included in the Group Profit and Loss Account. All associated undertakings have financial years which are coterminous with the Group's, with the exception of Camelot Group plc ("Camelot") and ABI whose financial years each end in March. The Group's share of the profits of Camelot and ABI are based on their most recent, published, unaudited financial statements to 30 September.

(q) Pensions

The costs of providing pensions and other post-retirement benefits are charged to the profit and loss account on a consistent basis over the service lives of employees. Such costs are calculated by reference to actuarial valuations and variations from such regular costs are spread over the remaining service lives of the current employees. To the extent to which such costs do not equate with cash contributions a provision or prepayment is recognised in the balance sheet.

(r) Liquid resources

Liquid resources are defined as current asset investments which are readily convertible into known amounts of cash without curtailing or disrupting the business, primarily bank deposits, commercial paper and bond investments.

(s) Financial instruments

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.

(t) Share split

The Company undertook a two for one share split in May 1999. The number of shares used in calculating dividends per share and earnings per share has been restated for prior periods.

(u) Preparation of Financial Statements

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

2 Profit on sale of subsidiaries and investments

The most significant disposal during the year was the disposal of beverages brands in 160 markets. An analysis of the profit on disposal is set out below:

	£m
Proceeds less costs and tangible assets	467
Goodwill previously written off to reserves	(51)
Brands disposed	(66)
Net profit on disposal before taxation	350

The operating results of the beverages operations disposed during the year have been treated as discontinued operations. The net cash inflow included in the Group Cash Flow in relation to the disposed beverages brands was £23m.

The profit on sale of subsidiaries and investments in 1998 arose principally on the partial disposal of the Group's investment in ITNET plc and on the deemed disposal of a share of the Group's interest in ABI resulting from a rights issue by ABI for which the Group did not subscribe.

In February 1997, the Group disposed of its 51% share in Amalgamated Beverages Great Britain Ltd, the parent company of Coca-Cola & Schweppes Beverages Ltd ("CCSB") for £623m, including dividend payments of £140m. In 1997 the Group disposed of its wholly-owned subsidiary Sodastream Ltd and Hulley & Rice. Additionally, as a result of an actuarial review performed during 1997, it was determined that additional provisions were required for retired employees of a business previously disposed of by the Group.

The cash outflow before use of liquid resources and financing resulting from CCSB's operations included in the Group Cash Flow Statement in 1997 was £13m. The balance sheet amounts, contribution to profit and cash flows for the other businesses disposed of in 1998 and 1997 are not material.

3 Operating costs

(a) Operating costs analysis:

	Existing businesses £m	Discontinued operations £m	**Total £m**
1999			
Cost of sales	2,116	20	2,136
Distribution costs, including marketing	1,136	22	1,158
Administration expenses	364	9	373
	3,616	51	3,667
1998			
Cost of sales	2,110	25	2,135
Distribution costs, including marketing	1,036	41	1,077
Administration expenses	328	15	343
	3,474	81	3,555
1997			
Cost of sales	1,993	56	2,049
Distribution costs, including marketing	1,084	48	1,132
Administration expenses	423	16	439
	3,500	120	3,620

Major restructuring costs in all years and exceptional items in 1998 have been allocated to the appropriate captions.

(b) Profit on ordinary activities before taxation is after charging:

	1999 £m	1998 £m	1997 £m
Depreciation on owned assets	**143**	196	136
Depreciation on assets under finance leases	**7**	9	9
Auditors' remuneration			
– audit fees	**2**	2	2
– other services	**1**	1	1
Research and development costs	**26**	26	22
Maintenance and repairs	**53**	53	59
Advertising	**337**	354	345

The audit fees include £0.2m (1998 and 1997: £0.2m) in respect of the parent company.

(c) Major restructuring costs

The 1999 results include £64m in expenditure on major restructuring activities. The restructuring costs principally include reconfiguration and rationalisation in the Group's UK confectionery businesses and restructuring of sales and administration in Schweppes Spain resulting from findings of the Value Based Management review. The Group's share of operating profit in associates also includes £11m representing the Group's share of restructuring costs from The American Bottling Company ("ABC") as well as the Group's share of restructuring required to combine ABC with the newly acquired Dr Pepper Bottling Company of Texas ("DPBCOT").

The 1998 results include £23m in expenditure on major restructuring activities. These restructuring costs include rationalisation in the UK confectionery operations (including asset write downs), consolidating aspects of the French beverages and confectionery businesses, a plant closure in South Africa and several other restructuring projects in beverages operations. The Group's share of operating profit in associates also includes £5m representing the Group's share of restructuring costs from ABC which is now part of DPSUBG, as this company rationalised manufacturing facilities to improve efficiency.

The 1997 results include £28m of restructuring costs, including streamlining of manufacturing and distribution arrangements in the Confectionery stream, mainly in the British Isles, and rationalisation of sales, administration and manufacturing in the Beverages stream, mainly within the Americas region.

(d) Exceptional items

No exceptional items are included in the 1999 operating results. Exceptional items in 1998 represent fixed asset impairments and working capital losses resulting from the economic crisis which occurred in Russia during the second half of 1998. As a result of this crisis, an impairment review of the Russian fixed assets was performed and a write down was made to reflect the estimated net realisable value of these fixed assets. Additionally, the economic situation resulted in certain debtors and stocks becoming irrecoverable primarily in the Group's Russian and other European subsidiaries. These working capital losses were also included in the total exceptional items amount in the Group Profit and Loss Account.

4 Employees and emoluments

	1999 £m	1998 £m	1997 £m
Emoluments of employees, including directors, comprised:			
Wages and salaries	**598**	599	580
Social security costs	**58**	62	68
Other pension costs	**27**	28	26
	683	689	674

A geographical analysis of the number of employees is given in the Description of Business on page 29.

5 Directors' Remuneration

The information required by the Companies Act 1985 and the London Stock Exchange Listing Rules is contained on pages 67 to 76 in the Report of the Directors.

6 Net interest

	1999 £m	1998 £m	1997 £m
Bank and other loans not wholly repayable within five years	**3**	13	7
Bank and other loans wholly repayable within five years	**109**	100	102
Commercial paper	**7**	6	10
Finance leases	**3**	3	3
Bank overdrafts and other short term borrowings	**2**	4	4
	124	126	126
Less: Interest capitalised (see Note 11)	**–**	(2)	(2)
Less: Interest on short term investments	**(78)**	(72)	(59)
Net interest arising in Group Companies	**46**	52	65
Share of net interest arising in associates	**15**	5	(1)
	61	57	64

7 Tax on Profit on Ordinary Activities

	1999 £m	1998 £m	1997 £m
UK:			
Corporation tax	**21**	48	67
Double tax relief	**(17)**	(39)	(41)
Deferred tax (see Notes 16 and 17)	**16**	30	119
Associated undertaking	**4**	7	5
	24	46	150
Overseas:			
Tax payable (including withholding taxes)	**171**	101	71
Deferred tax (see Notes 16 and 17)	**15**	39	43
Associated undertakings	**6**	4	3
	192	144	117
Over provision in previous years:			
Current tax	**1**	(5)	(6)
Deferred tax (see Notes 16 and 17)	**(2)**	(4)	(2)
	215	181	259

The tax charge has been increased by £9m (1998: £14m decrease; 1997: £4m increase) in respect of tax at the current year's rate on timing differences for which no deferred tax has been provided. Tax relief on restructuring charges in 1999 has been provided at 18% as no relief has been anticipated on the restructuring costs in Schweppes Spain. No tax relief is expected to be available on the exceptional items recorded in 1998 (see Note 3(d)).

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

	1999 %	1998 %	1997 %
UK Corporation Tax rate	**30.2**	31.0	31.5
Excess/(shortfall) of book depreciation over tax depreciation	**0.2**	–	(0.3)
Relief for stocks and investment incentives	**(1.4)**	(2.9)	(0.6)
Capital items not subject to tax	**(9.2)**	(0.3)	(4.3)
Non-deductible expenses	**2.3**	1.9	0.7
Amortisation of intangibles	**(0.4)**	(1.3)	(0.9)
Losses of current year not relieved	**–**	4.2	1.1
Losses of current and previous years now relieved	**(0.3)**	(1.5)	(0.1)
Differences in overseas tax rates	**(0.2)**	1.0	(0.5)
Over provisions in prior years	**(0.4)**	(1.6)	(0.8)
Other	**1.7**	1.1	0.6
Tax charge as a percentage of profit before tax	**22.5**	31.6	26.4

8 Dividends

	1999 £m	1998 £m	1997 £m
Ordinary shares			
– interim 3.05p per share paid (1998: 2.90p; 1997: 2.75p)	**61**	59	55
– final 6.95p per share proposed (1998: 6.60p; 1997: 6.25p)	**141**	135	126
Preference shares (see Note 21(e))	**–**	–	1
	202	194	182

The interim dividend was paid on 19 November 1999.

9 Earnings per Ordinary Share

(a) Basic EPS

Basic EPS is calculated on the weighted average of 2,026 million shares (1998: 2,030 million shares; 1997: 2,012 million shares) in issue during the year.

(b) Underlying EPS

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

			EPS			Earnings
	1999 pence	1998 pence	1997 pence	**1999 £m**	1998 £m	1997 £m
Earnings	**31.7**	17.1	34.0	**642**	348	685
Adjust for:						
Exceptional items	**–**	3.3	–	**–**	68	–
Goodwill amortisation	**0.1**	–	–	**3**	–	–
Profit on sale of subsidiaries and investments, net of tax and minority interests	**(12.3)**	(1.1)	(15.7)	**(250)**	(23)	(317)
Underlying earnings	**19.5**	19.3	18.3	**395**	393	368
Adjust for:						
Restructuring costs, net of tax	**3.0**	1.1	1.0	**61**	21	20
Underlying earnings pre restructuring	**22.5**	20.4	19.3	**456**	414	388

(c) Diluted EPS

Diluted EPS has been calculated based on the Basic EPS Earnings amount above.
A reconciliation between the shares used in calculating Basic and Diluted EPS is as follows:

	1999 million	1998 million	1997 million
Average shares used in Basic EPS calculation	**2,026**	2,030	2,012
Dilutive share options outstanding	**24**	30	20
Shares used in Diluted EPS calculation	**2,050**	2,060	2,032

Share options not included in the diluted calculation because they were anti-dilutive in the period totalled 15 million in 1999 (1998: 17 million; 1997: 18 million).

10 Intangible Assets and Goodwill

	1999 £m	1998 £m
Cost at beginning of year	**1,607**	1,575
Exchange rate adjustments	**30**	(14)
Goodwill arising on acquisition of subsidiaries	**28**	46
Intangibles arising on acquisition of brands	**128**	–
Intangible assets disposed	**(65)**	–
Cost at end of year	**1,728**	1,607
Amortisation for year	**(3)**	–
Amortisation at end of year	**(3)**	–
Net book value at beginning of year	**1,607**	1,575
Net book value at end of year	**1,725**	1,607

Goodwill and intangible assets included in the balance above have net book values at the end of 1999 of £69m and £1,656m respectively (1998: £46m and £1,561m). Goodwill arising on the acquisition of associated undertakings is included in Investments in associates on the Balance Sheet (see Note 12).

11 Tangible Fixed Assets

(a) Analysis of movements

	Group			Company	
	Land and buildings £m	Plant and equipment £m	Assets in course of construction £m	Land and buildings £m	Plant and equipment £m
Cost or Valuation					
At beginning of year	425	1,616	58	7	19
Exchange rate adjustments	6	(4)	1	–	–
Additions	5	42	96	–	4
Transfers on completion	7	72	(79)	–	–
Disposals	(9)	(79)	(1)	–	(2)
At end of year	434	1,647	75	7	21
Depreciation					
At beginning of year	(58)	(915)	–	(1)	(6)
Exchange rate adjustments	(5)	5	–	–	–
Depreciation for year	(9)	(141)	–	–	(2)
Disposal	3	55	–	–	–
At end of year	(69)	(996)	–	(1)	(8)
Net book value at beginning of year	367	701	58	6	13
Net book value at end of year	365	651	75	6	13

Depreciation charge for 1998 includes the exceptional write down of assets in the Group's Russian operations (see Note 3(d)). Additions to assets in course of construction include interest capitalised in the year of £nil (1998: £2m). Cumulative interest capitalised on capital borrowed to fund construction is £11m (1998: £11m). The value of land not depreciated is £96m (1998: £97m).

(b) Finance Leases

The net book value of plant and equipment held under finance leases is made up as follows:

	1999 £m	1998 £m
Cost	**105**	97
Less: Accumulated depreciation	**(79)**	(72)
	26	25

(c) Analysis of land and buildings

	Group		Company	
	1999 £m	1998 £m	**1999 £m**	1998 £m
Analysis of net book value:				
Freehold	**325**	325	**3**	3
Long leasehold	**21**	24	**3**	3
Short leasehold	**19**	18	**–**	–
	365	367	**6**	6
Analysis of gross value:				
At 1995 valuation				
– Existing use	**293**	305	**7**	7
– Alternative use	**1**	1	**–**	–
At cost	**151**	119	**–**	–
	445	425	**7**	7

The Group properties were professionally revalued at 30 September 1995. If the revalued assets were stated on a historical basis, the amounts would be as follows:

Land and buildings at cost	**245**	250	**6**	6
Accumulated depreciation thereon	**(68)**	(70)	**(1)**	(1)
	177	180	**5**	5
Depreciation charge for the year	**3**	6	**–**	–

(d) Capital Commitments

Commitments for capital expenditure contracted for but not provided in the Group Financial Statements at the end of the year were £16m in 1999 and £16m in 1998 (nil for the Company in both years).

12 Investments

(a) Analysis of components

	Group		Company	
	1999 £m	1998 £m	**1999 £m**	1998 £m
Shares in associated undertakings				
– Listed overseas	**46**	40	**–**	–
– Unlisted	**157**	117	**11**	11
Loans to associated undertakings	**93**	13	**–**	–
Investments in associates	**296**	170	**11**	11
Shares in subsidiary undertakings	**–**	–	**517**	541
Loans to subsidiary undertakings	**–**	–	**3,321**	3,071
Other unlisted investments other than loans	**89**	1	**–**	–
Investments	**89**	1	**3,838**	3,612

Details of the principal subsidiary and associated undertakings are set out in Note 30. Other unlisted investments other than loans includes £88m of own shares purchased by the Group's Employee Trust for use in fulfilling employee share plans. This represents 19.2 million shares acquired, which had a market value at the end of the year of £72m. The cost of providing shares awarded and expected to vest under employee share plans is accrued over the performance period of the plans. Approximately 12 million of the shares are under option to employees, subject to the achievement of certain performance targets by the Group, with the balance being conditionally gifted to employees. Nominal dividends are received on 3.7 million of the shares, with the balance receiving full dividends.

(b) Analysis of movements

	Listed overseas £m	Unlisted £m
Cost at beginning of year	8	109
Exchange rate adjustments	–	(2)
Additions	–	–
Disposals	–	–
Cost at end of year	8	107
Share of reserves at beginning of year	32	8
Exchange rate adjustments	(1)	2
Share of profits after tax	8	3
Dividends received (1998: £12m)	(4)	(9)
Additions	–	46
Other	3	–
Share of reserves at end of year	38	50
Net book value at beginning of year	40	117
Net book value at end of year	46	157
Market value of listed investments (1998: £112m)	138	–
Tax liability if sold at this value (1998: £6m)	3	–

In October 1999, the Group announced the completion of the acquisition of DPBCOT. This company has been merged with ABC, another associate of the Group, to form DPSUBG. The Group's total equity investment in DPSUBG was £123 million and, in addition, the Group has acquired a $150m high yield bond issued by DPSUBG. The Group owns approximately 40% of DPSUBG.

The Group's investment in Camelot, the UK National Lottery Operator, is included in unlisted associated undertakings.

(c) Additional associated undertaking disclosures

The Group's share in its associated undertakings selected profit and loss and balance sheet items is as follows:

	1999 £m	1998 £m
Turnover	**1,750**	1,616
Fixed assets	**157**	80
Current assets	**210**	184
Liabilities due within one year	**(159)**	(150)
Liabilities due after one year	**(220)**	(123)

The Group's share in selected profit and loss and balance sheet items for its associated undertaking Camelot is as follows:

	1999 £m	1998 £m
Turnover	**1,348**	1,337
Profit before tax	**18**	19
Tax	**(4)**	(7)
Profit after tax	**14**	12
Fixed assets	**12**	17
Current assets	**112**	111
Liabilities less than one year	**(86)**	(94)
Liabilities greater than one year	**(12)**	(8)

Share of operating profit in associates by stream is as follows:

	1999 £m	1998 £m	1997 £m
Beverages	**23**	25	19
Confectionery	**12**	13	12
Total	**35**	38	31

During the year the Group purchased packaging materials from, and paid bottling fees to, L'Européenne D'Embouteillage SNC totalling £43m, and sold beverages concentrate totalling £121m to DPSUBG.

Goodwill included in the carrying value of associates is £296m.

(d) Analysis of movements – Company

	Shares subsidiary undertakings £m	Loans subsidiary undertakings £m	Shares associated undertakings £m
Cost less amount written off at beginning of year	541	3,071	11
Additions/(net repayments)	4	250	–
Disposals	(28)	–	–
Cost less amount written off at end of year	517	3,321	11

13 Stocks

		Group
	1999 £m	1998 £m
Raw materials and consumables	**141**	149
Work in progress	**33**	33
Finished goods and goods for resale	**230**	227
	404	409

14 Debtors

	Group		Company	
	1999 £m	1998 £m	**1999 £m**	1998 £m
Trade debtors	**541**	560	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**27**	23
Amounts owed by associated undertakings	**4**	5	**–**	–
Tax recoverable within one year	**49**	15	**37**	1
Advance corporation tax recoverable within one year	**–**	21	**–**	18
Other debtors				
– receivable within one year	**78**	68	**8**	10
– receivable after more than one year	**29**	19	**–**	–
Prepayments and accrued income	**97**	72	**3**	2
Deferred tax recoverable after more than one year	**–**	–	**5**	6
	798	760	**80**	60

Amounts are receivable within one year unless otherwise indicated.
The movement on allowance for doubtful accounts is as follows:

	1999 £m	1998 £m	1997 £m
Balance at beginning of year	**31**	26	26
Exchange adjustments	**(1)**	–	(2)
Charged to profit and loss account	**6**	9	8
Utilised	**(8)**	(4)	(6)
Balance at end of year	**28**	31	26

15 Creditors other than borrowings

	1999		1998	
	Amounts due within one year £m	**Amounts due after one year £m**	Amounts due within one year £m	Amounts due after one year £m
Group				
Trade creditors	**232**	**–**	213	–
Payments on account	**10**	**–**	12	–
Bills of exchange	**6**	**–**	9	–
Tax on profit	**208**	**42**	166	32
Advance corporation tax	**–**	**–**	10	–
Other taxes and social security costs	**71**	**–**	74	–
Accruals and deferred income	**429**	**–**	395	–
Government grants	**1**	**3**	1	3
Other creditors	**183**	**6**	197	17
Proposed dividends				
– to ordinary shareholders	**141**	**–**	135	–
– to minorities	**2**	**–**	5	–
	1,283	**51**	1,217	52
Company				
Amounts owed to subsidiary undertakings	**13**	**–**	6	–
Tax on profit	**89**	**–**	96	–
Advance corporation tax	**–**	**–**	10	–
Accruals and deferred income	**26**	**–**	10	–
Other creditors	**35**	**–**	29	–
Proposed dividend to ordinary shareholders	**141**	**–**	135	–
	304	**–**	286	–

16 Provisions for Liabilities and Charges

	Deferred taxation £m	Retirement benefits £m	Restructuring £m	Contractual, legal and other £m	Group Total £m	Company £m
At beginning of year	79	67	12	–	**158**	1
Exchange rate adjustments	(1)	1	(1)	–	**(1)**	–
Expenditure in the year	–	(19)	(24)	–	**(43)**	–
Transfer to current tax	(10)	–	–	–	**(10)**	–
Profit and loss account	25	9	64	61	**159**	–
At end of year	93	58	51	61	**263**	1

A further analysis of the Group and Company deferred taxation provision is given in Note 17. The provisions for retirement benefits primarily relate to pension schemes, details of which are given in Note 18.

The charge to the profit and loss account for restructuring is explained in Note 3. The restructuring expenditure in the year includes £18m in respect of restructuring charges recorded in 1999 and £6m in respect of restructuring charges recorded in prior years. Substantially all of the restructuring provision at the end of the year is expected to result in cash expenditure in 2000. The restructuring charge principally relates to severance costs. The severance programmes impacted approximately 1,900 employees with 1,500 being manufacturing related and the balance being sales and administration related.

Contractual, legal and other provisions relate to the Group's ongoing obligations relating to the disposal of subsidiaries, investments and brands. The timing of utilisation of these provisions is uncertain, but expenditure in 2000 is not expected to be significant.

Company provisions include retirement benefits and, at the beginning of the year, deferred taxation, details of which are given in Note 17.

17 Deferred Taxation

The analysis of the deferred tax liabilities/(assets) included in the financial statements at the end of the year is as follows:

	Group		Company	
	1999 £m	1998 £m	**1999 £m**	1998 £m
Accelerated capital allowances	**2**	2	**–**	–
Profit on sale of subsidiaries	**–**	–	**–**	–
Unutilised tax losses	**–**	(6)	**–**	–
Other timing differences	**91**	83	**(5)**	(6)
	93	79	**(5)**	(6)

The Group deferred taxation liability is included in provisions for liabilities and charges (see Note 16). Gross deferred tax assets at year end are £18m (1998: £27m). The Company deferred tax asset is included in debtors (see Note 14).

The potential liability for deferred taxation not provided comprised:

	Group		Company	
	1999 £m	1998 £m	**1999 £m**	1998 £m
UK accelerated capital allowances	**48**	50	**2**	2
UK property valuations	**5**	5	**1**	1
Other timing differences	**9**	29	**–**	–
	62	84	**3**	3

To the extent that dividends from overseas undertakings are expected to result in additional taxes, appropriate amounts have been provided. No taxes have been provided for other unremitted earnings since these amounts are considered permanently reinvested by subsidiary undertakings and in the case of associated undertakings the taxes would not be material. Distributable earnings retained by overseas subsidiary undertakings and the principal associated undertakings totalled approximately £2,289m at 2 January 2000. The remittance of these amounts would incur tax at varying rates depending on available foreign tax credits.

Tax losses carried forward as at 2 January 2000 for offset against future earnings of overseas companies were approximately £103m (1998: £111m). The utilisation of losses is dependent upon the level of future earnings and other limiting factors within the countries concerned. Tax losses totalling £17m have expiration periods in 2000 and 2001, tax losses of £32m expire in 2002 to 2007 and tax losses totalling £54m have no expiry date.

The US GAAP analysis of the deferred tax liability is as follows:

	1999 £m	1998 £m
Liabilities		
Fixed asset timing differences	**84**	84
Profit on sale of subsidiaries	**–**	–
Other timing differences	**71**	85
	155	169
Assets		
Operating losses carried forward	**(37)**	(40)
Less: Valuation allowance	**37**	34
	–	(6)
Net deferred tax liability	**155**	163

18 Pension Arrangements and other Post-Retirement Benefits

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

(a) UK GAAP

The major scheme is the Cadbury Schweppes Pension Fund in the UK for which the last full valuation was carried out as at 5 April 1999 on the projected unit method when the market value of the assets was £1,277m. The level of funding on the assumptions shown below was 114%.

The principal long term assumptions used for the purposes of the actuarial valuation were as follows:

Rate of return on new investments	7.25%
Earnings increases	5.00%
Pensions increases	3.00%
Growth of dividends	4.25%

Credit for the estimated surplus has been spread over the remaining service lives of the existing employees and the net contribution rate on the accruals basis is 5.1% of pensionable payroll. A provision of £9m (1998: £16m) included in the balance sheet represents the excess of pension costs over the amounts actually contributed. The dates of the latest actuarial reviews of the main schemes for the principal overseas subsidiaries were: Ireland: 5 April 1997, US: 1 January 1999, Australia: 30 June 1997 and South Africa: 31 December 1997. The aggregate market value of these schemes at the relevant review dates was approximately £256m.

The total pension cost for the year was £27m (1998: £28m; 1997: £26m), of which £10m (1998: £12m; 1997: £11m) related to the UK fund and £12m (1998: £12m; 1997: £12m) to the above mentioned principal overseas funds.

(b) US GAAP

The major plans are reviewed in accordance with Statement of Financial Accounting Standard ("SFAS") No. 87 annually and the disclosures below have been presented in accordance with SFAS 132. The net periodic pension cost for the major plans under SFAS No. 87 was made up as follows:

	1999 £m	1998 £m	1997 £m
Service cost	**40**	33	36
Interest cost	**76**	80	94
Expected return on assets	**(92)**	(97)	(102)
Net amortisation and deferral	**(6)**	(10)	(2)
Gain on settlement	**–**	–	(13)
	18	6	13

The gain on settlement in 1997 primarily resulted from the disposal of CCSB (Note 2). Employees of CCSB transferred their benefits from the Company's UK plan to new arrangements and the Company has no further liability with regard to such employees. Subsequent to the transfers, the UK plan remains satisfactorily funded.

The weighted average assumptions used were as follows:

	1999 %	1998 %	1997 %
Discount rate	**6.6**	7.1	8.0
Long term rate of return on assets	**7.2**	7.9	8.6
Earnings increase	**5.0**	5.0	5.9

18 Pension Arrangements and other Post-Retirement Benefits continued

(b) US GAAP continued

The movement in the benefit obligation and plan assets was as follows:

	1999 £m	1998 £m
Benefit Obligation		
At beginning of year	**1,268**	1,141
Exchange rate adjustments	**(6)**	(4)
Service cost	**40**	33
Interest cost	**76**	80
Actuarial loss/(gain)	**73**	74
Benefits paid	**(74)**	(64)
Employee contributions	**8**	8
At end of year	**1,385**	1,268
Plan Assets		
At beginning of year	**1,414**	1,398
Exchange rate adjustments	**(19)**	(3)
Actual return on plan assets	**312**	54
Employer contributions	**16**	16
Employee contributions	**16**	13
Benefits paid	**(74)**	(64)
At end of year	**1,665**	1,414
Funded status	**280**	146
Unrecognised prior service cost	**–**	2
Unrecognised transition amount	**3**	1
Unrecognised net actuarial loss	**(352)**	(219)
Accrued benefit	**(69)**	(70)

(c) Other Post-Retirement Benefits

The Group provides certain post-retirement health care benefit coverage to substantially all US employees retiring on or after attaining age 55 (with at least 15 years of service) or age 65 (with at least 5 years of service). These benefits are limited to eligible expenses and are subject to deductibles, co-payment provisions and lifetime caps on coverage.

At age 65 each retiree and eligible covered dependant has a lifetime cap of $25,000. If an employee chooses early retirement, there is a $25,000 cap from the early retirement date to age 65, at which time a new $25,000 cap is provided. The Group may periodically amend or change the plan under which these benefits are paid.

In South Africa, retirees participate in various external medical care schemes which provide defined levels of benefits. The Group's local subsidiary currently contributes towards the premiums payable on behalf of the retirees in accordance with the general practice of employers in South Africa. These contributions are paid only for retirees who were members of such medical care schemes before retirement.

The cost of these other post-retirement benefits and the outstanding liabilities are not material for the Group as a whole.

19 Borrowings

(a) Analysis of net borrowings

	1999 £m	1998 £m
Net cash:		
Cash at bank and in hand	**151**	104
Bank overdrafts	**(34)**	(45)
	117	59
Liquid resources	**410**	416
Other short term borrowings	**(398)**	(482)
Long term borrowings	**(311)**	(499)
	(182)	(506)

(b) Reconciliation of net debt

	Net cash £m	Liquid resources £m	Borrowings £m	Total net borrowings £m
At 28 December 1996	40	75	(1,342)	(1,227)
Cash flow for the year	6	149	(31)	124
Borrowings assumed at acquisition	–	–	(19)	(19)
Borrowings transferred at disposal	–	–	15	15
CCSB disposal – loan note consideration (Note 2)	–	458	–	458
Exchange rate adjustments	(5)	–	5	–
At 3 January 1998	41	682	(1,372)	(649)
Cash flow for the year	18	(264)	355	109
Exchange rate adjustments	–	(2)	36	34
At 2 January 1999	59	416	(981)	(506)
Cash flow for the year	66	(13)	302	**355**
Exchange rate adjustments	(8)	7	(30)	**(31)**
At 2 January 2000	117	410	(709)	**(182)**

19 Borrowings continued

(c) Detailed Analysis of Borrowings

	1999		1998	
	Amounts due within one year £m	Amounts due after one year £m	Amounts due within one year £m	Amounts due after one year £m
Group				
Secured				
Bank overdrafts	**2**	**–**	2	–
Other loans	**1**	**–**	1	–
European Bank for Reconstruction and Development Loan	**7**	**32**	3	38
Unsecured				
8.5% Guaranteed Notes 1999 (AUD75m)	**–**	**–**	28	–
6.25% Notes 1999 (US$300m)	**–**	**–**	181	–
8% Notes 2000 (£150m)	**147**	**–**	–	142
5.125% Guaranteed Notes 2001 (DM300m)	**–**	**119**	–	109
Obligations under perpetual loan (FFr656m)	**9**	**53**	9	71
Obligations under fixed rate notes	**21**	**5**	18	26
Commercial paper (£55m, CAD206m and AUD75m)	**173**	**–**	55	–
Master notes (US$250m)	**–**	**–**	151	–
Bank loans in foreign currencies	**22**	**9**	24	8
Bank overdrafts	**32**	**–**	43	–
Other loans	**12**	**78**	5	84
Obligations under finance leases (see Note 24)	**6**	**15**	6	21
Acceptance credits	**–**	**–**	1	–
	432	**311**	527	499
Company				
Unsecured				
6.25% Notes 1999 (US$300m)	**–**	**–**	181	–
8% Notes 2000 (£150m)	**147**	**–**	–	142
Loans from subsidiary undertakings	**1,285**	**736**	744	708
Bank overdraft	**2**	**–**	1	–
Other loans	**1**	**–**	1	–
	1,435	**736**	927	850

The Group's borrowings limit at 2 January 2000 calculated in accordance with the Articles of Association was £9,920m. The lowest limit to which it is subject under its borrowing facilities is £3,645m.

The security, for the borrowings shown above as secured, is by way of charges on the properties of the Group companies concerned. At 2 January 2000, the book value of assets pledged as collateral for secured loans was £29m (1998: £43m). Borrowings include £39m (1998: £41m) which are secured by means of fixed charges on property of overseas subsidiaries.

The 8% Notes 2000 have a principal amount of £150m which has been swapped into US$236m and are presented at the swapped value. Similarly, the 5.125% Guaranteed Notes 2001 have a principal amount of DM300m and have been presented at their swapped value of CAD279m.

The obligation under the perpetual loan represents the present value of the future interest payments on the principal amount of FFr1,600m which terminate in 2005; the interest rate is variable, based on the Paris Inter-Bank Offered Rate. The obligations under the fixed rate notes represent the present value of future interest payments on £200m of 12.55% Eurobonds up to 2001; the principal of the bonds and subsequent interest coupons have been acquired by a Group company.

A subsidiary of the Group has borrowed £609m which is guaranteed by letters of credit. These letters of credit are backed by security over certain assets of another subsidiary of the Group. The lender's sole recourse under this arrangement is to the letters of credit. The financing has been accounted for as a fully offsetting arrangement in the Group Balance Sheet and the Notes to the Financial Statements and meets the criteria for offset in accordance with FRS 5.

Interest on unsecured bank loans is at rates which vary in accordance with local inter-bank rates. The weighted average interest rate payable at year end on short term borrowings was 5.7% (1998: 5.4%).

(d) Maturities of Borrowings

Repayments fall due in the following periods:

								Group
	Bank loans and overdrafts		Finance leases		Other borrowings		Total	
	1999 £m	1998 £m	**1999 £m**	1998 £m	**1999 £m**	1998 £m	**1999 £m**	1998 £m
Within one year or on demand	**71**	82	**6**	6	**355**	439	**432**	527
Between one and two years	**49**	22	**5**	6	**141**	163	**195**	191
Between two and three years	**15**	22	**4**	4	**37**	161	**56**	187
Between three and four years	**31**	16	**3**	5	**–**	37	**34**	58
Between four and five years	**16**	32	**1**	3	**–**	–	**17**	35
After five years	**7**	25	**2**	3	**–**	–	**9**	28
	189	199	**21**	27	**533**	800	**743**	1,026

		Company
	Total borrowings	
	1999 £m	1998 £m
Within one year or on demand	**1,435**	927
Between one and two years	**–**	255
Between two and five years	**251**	243
After five years	**485**	352
	2,171	1,777

		Group		Company
	1999 £m	1998 £m	**1999 £m**	1998 £m
Analysis of long term borrowings:				
Borrowings repayable by instalments:				
Within five years	**145**	172	**–**	–
After five years	**8**	28	**–**	–
	153	200	**–**	–
Borrowings wholly repayable after five years	**–**	–	**485**	352
	153	200	**485**	352

19 Borrowings continued

(e) Borrowing facilities

At 2 January 2000, the Group had undrawn committed borrowing facilities analysed as follows:

	Expiring within one year £m	Extending beyond one year £m
Revolving Credit Facilities (committed until August 2004)	–	307
Other facilities available to the Group		
– in support of commercial paper	52	–
– for other purposes	12	–
	64	307

The other facilities available to the Group are annual facilities subject to review at various dates during each year. There are in addition other uncommitted facilities available to the Group.

20 Derivatives and other Financial Instruments

(a) Treasury Risk Management

A discussion of the Group's objectives, policies and strategies with regard to derivatives and other financial instruments can be found in the Operating and Financial Review on pages 53 to 55.

(b) Interest rate and currency of borrowings

After taking into account the various interest rate and currency swaps and caps entered into by the Group, the effective currency and interest rate exposure of the Group's borrowings as at 2 January 2000 were as follows:

				Fixed and capped borrowings		
	Net borrowings £m	Cash and liquid resources £m	Floating borrowings £m	Fixed and capped borrowings £m	Weighted average interest rate %	Weighted average time for which rate is fixed Years
Sterling	64	(56)	94	26	30.0	0.6
Euro	(79)	(155)	14	62	0.8	2.2
US Dollar Bloc	316	(127)	306	137	6.0	2.1
Australia/New Zealand Dollars	55	(26)	40	41	6.1	1.3
Others	(174)	(197)	15	8	10.1	2.1
	182	(561)	469	274	5.5	1.8

Floating rate borrowings bear interest based on short term inter-bank rates (principally LIBOR applicable to periods of 3 months or less) or commercial paper rates. The cash and liquid resources, which are all at floating rates, yield interest based principally on short term inter-bank rates (principally LIBOR applicable to periods of 3 months or less).

(c) Currency analysis of net assets

The Group's borrowings and net assets by currency at 2 January 2000 were as follows:

	Net assets by currency of operations £m	Effective net external borrowings by currency £m	Effect of currency swaps £m	Net external borrowings by currency £m	Net investments £m
Sterling	147	120	(56)	64	83
Euro	258	128	(207)	(79)	337
US Dollar Bloc	1,733	53	263	316	1,417
Australia/New Zealand Dollars	195	55	–	55	140
Others	89	(174)	–	(174)	263
	2,422	182	–	182	2,240

Net assets exclude net borrowings and minority interests. Significant foreign currency assets and liabilities generate no gain or loss in the profit and loss account either because they are denominated in the currency of the Group operation to which they belong (the functional currency) or because they qualify under SSAP 20 as a foreign currency borrowing providing a hedge against a foreign equity investment. The effect of non-optional currency derivatives, such as swaps and forward contracts, that contribute to this matching is specifically identified within the above analysis.

(d) Interest Rate Risk Management

The Company has entered into various types of interest rate contracts in managing its interest rate risk.

	1999 Notional amount in millions	1998 Notional amount in millions
Forward Rate Agreements:		
Sterling	£106	£75
French Francs	FFr460	FFr720
Australian Dollars	–	AUD25
Caps:		
Canadian Dollars	CAD75	CAD75

The notional amounts of the Forward Rate Agreements represent agreements effectively fixing the interest rate on a maximum of FFr240m of liabilities for up to twelve months and a maximum of £36m of deposits for up to nine months.

20 **Derivatives and other Financial Instruments** continued

(d) Interest Rate Risk Management continued

The following table indicates by currency the types of swaps used and their weighted average interest rates. In each case the swap is hedging debt which is of an amount equal to or greater than that of the swap, is in the same currency and, allowing for expected refinancings, has a term no shorter and a maturity date no earlier than that of the swap.

	1999	1998
Interest Rate Swaps		
Receive-Fixed Swaps		
Australian Dollars		
Notional Amount		AUD75m
Average Pay Rate	–	3 month AUD Bill Rate + 30bp
Average Receive Rate		8.5%
Average Term		5 years
Maturity Date		1999
French Francs		
Notional Amount	**FFr683m**	FFr662m
Average Pay Rate	**6 month PIBOR**	6 month PIBOR
Average Receive Rate	**4.9%**	5.2%
Average Term	**9 years**	9 years
Maturity Date	**2005**	2005
Pay-Fixed Swaps		
French Francs		
Notional Amount	**FFr2,142m**	FFr2,101m
Average Pay Rate	**7.3%**	7.3%
Average Receive Rate	**6 month PIBOR + 38 bp**	6 month PIBOR + 39 bp
Average Term	**10.9 years**	10.9 years
Maturity Date	**2005**	2005
Australian Dollars		
Notional Amount	**AUD125m**	AUD225m
Average Pay Rate	**6.0%**	6.3%
Average Receive Rate	**6 month AUD Bill Rate**	3 month AUD Bill Rate
Average Term	**1.1 years**	1.28 years
Maturity Date	**2000-2001**	1999-2000
Canadian Dollars		
Notional Amount	**CAD200m**	CAD200m
Average Pay Rate	**5.7%**	5.7%
Average Receive Rate	**3 month Can. BA Rate**	3 month Can. BA Rate
Average Term	**6 years**	6 years
Maturity Date	**2002-2004**	2002-2004
Cross Currency Interest Rate Swaps		
£/US$		
Notional Amount	**£150m/US$236.25m**	£150m/US$236.25m
Average Receive Rate	**8% (£)**	8% (£)
Average Pay Rate	**3 months US$ LIBOR + 10 bp**	3 months US$ LIBOR + 10 bp
Average Term	**5 years**	5 years
Maturity Date	**2000**	2000
DM/C$		
Notional Amount	**DM300m/CAD278.94m**	DM300m/CAD278.94m
Average Receive Rate	**5.1% (DM)**	5.1% (DM)
Average Pay Rate	**3 month BA Rate + 10 bp (CAD)**	3 month BA Rate + 10 bp (CAD)
Average Term	**5 years**	5 years
Maturity Date	**2001**	2001
£/Euro		
Notional Amount	**£200m/€306.89m**	
Average Receive Rate	**3 month LIBOR**	–
Average Pay Rate	**3 month EURIBOR + 11.5 bp**	
Average Term	**1 year**	
Maturity Date	**2000**	

The differential to be paid or received on swap agreements is accrued as interest rates change and is recognised within net interest expense over the lives of the respective agreements. Any net asset or liability arising on conversion into sterling of the principal amounts of cross currency swaps is included on the Balance Sheet (see Note 19).

(e) Fair values of financial instruments

The comparison of book and fair values of all the Group's financial instruments is set out below. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting cash flows at prevailing interest and exchange rates.

		1999		1998
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Cash at bank and in hand	**151**	**151**	104	104
Liquid resources	**401**	**401**	416	416
Debt	**(746)**	**(709)**	(1,032)	(1,014)
Derivatives to manage interest rate and currency of borrowings	**12**	**(42)**	6	(20)
Net borrowings	**(182)**	**(199)**	(506)	(514)
Quarterly Income Preferred Securities (see Note 22)	**(245)**	**(233)**	(236)	(260)
Derivatives relating to net borrowings				
Assets:				
Currency and interest rate swaps	**12**	**14**	7	17
Interest rate swaps	**–**	**1**	–	7
Liabilities:				
Currency and interest rate swaps	**(24)**	**(24)**	(1)	–
Interest rate swaps	**–**	**(16)**	–	(44)
Other assets				
Currency exchange contracts	**–**	**5**	–	7
Other liabilities				
Currency exchange contracts	**–**	**(22)**	–	(4)

Disclosures about the fair value of cocoa futures contracts have not been made because, in the Directors' opinion, such disclosure would be seriously prejudicial to the interests of the Group given the Group's significant participation in this market.

(f) Hedges of future transactions

At 2 January 2000 net unrecognised losses of £17m related primarily to hedges of future transactions which are expected to occur in 2000. Included in the 1999 Profit and Loss Account are £3m of net profits on hedges for transactions which occurred during 1999. There were no unrecognised profits or losses on the Balance Sheet at year end.

The Group held contracts to exchange the following foreign currency amounts:

	Contract Amount	
	1999 £m	1998 £m
Contracts to sell foreign currency against sterling	**366**	371
Contracts to purchase foreign currency against sterling	**773**	911
Contracts to sell/purchase foreign currency against other foreign currency	**86**	88

21 Capital and Reserves

	1999 £m	1998 £m
(a) Share Capital of Cadbury Schweppes plc		
Authorised Share Capital:		
Attributable to equity interests:		
Ordinary shares (3,200 million of 12.5p each)	**400**	400
Attributable to non-equity interests:		
US$ Preference Shares (750 of US$1,000 each)	**–**	–
CAD Preference Shares (150 of CAD$1,000 each)	**–**	–
	400	400
Allotted, called up and fully paid Share Capital:		
Attributable to equity interests:		
Ordinary shares (2,021 million of 12.5p each) (1998: 2,036 million)	**253**	254

(b) Ordinary Shares

During the year 8,632,676 ordinary shares of 12.5p were allotted and issued as follows:

(i) Share options exercised (see Note 29)	8,383,940
(ii) Bond conversions	248,736
(iii) Share plan allocations	0

The nominal value of ordinary shares issued during the year was £1m.

The Company undertook a two for one share split in May 1999. The number of shares shown for prior periods has been restated.

During the year, the Company repurchased 23.7 million shares which were subsequently cancelled. These shares represented approximately 1% of the called up share capital of the Company at 2 January 2000 and have a nominal value of £3m. The consideration paid was £86m. There were no other changes in the issued ordinary share capital of the Company during the year.

(c) Movements on capital and reserves – Group

	Share capital £m	Share premium £m	Capital redemption reserve £m	Revaluation reserve £m	Retained profits £m	**Total £m**
At beginning of year	254	916	87	63	523	**1,843**
Exchange rate adjustments	–	–	–	(2)	(23)	**(25)**
Shares issued for cash	2	26	–	–	(11)	**17**
Shares repurchased	(3)	–	3	–	(86)	**(86)**
Goodwill adjustments	–	–	–	–	51	**51**
Retained profit for year	–	–	–	–	440	**440**
At end of year	253	942	90	61	894	**2,240**

The historical cost profit for the financial year was £642m (1998: £348m; 1997: £685m) and the historical cost retained profit was £440m (1998: £154m; 1997: £503m).

The loss on translation of long term foreign currency borrowings by UK companies was £4m (1998: £6m gain; 1997: £13m loss) all of which was taken to reserves since these borrowings were used to hedge assets and liabilities in the same currencies.

During the year the Company received £28m on the issue of shares in respect of the exercise of options awarded under various share option plans. Employees paid £17m to the Company for the issue of these shares and the balance of £11m comprised contributions from an employee share trust funded by subsidiary undertakings.

Total goodwill written off to reserves on businesses continuing within the Group amounts to £1,764m, of which £1,705m has been written off since 3 January 1988.

(d) Movements on capital and reserves – Company

	Share capital £m	Share premium £m	Capital redemption reserve £m	Revaluation reserve £m	Retained profits £m	**Total £m**
At beginning of year	254	916	87	1	380	**1,638**
Shares issued for cash	2	26	–	–	–	**28**
Shares repurchased	(3)	–	3	–	(86)	**(86)**
Retained loss for year	–	–	–	–	(108)	**(108)**
At end of year	253	942	90	1	186	**1,472**

The profit for the financial year for the Company was £95m (1998: £8m loss; 1997: £455m profit). The historical cost profit for the financial year for the Company was £95m (1998: £8m loss; 1997: £455m profit).

The total recognised gains and losses for the Company are the same as the loss for the financial year. The net decrease in Shareholders' funds was £166m.

(e) US$ Auction Preference Shares

Redemption of the US$ Auction Preference Shares (Series 3 to 6) was completed on 25 March 1997 at their original issue price of US$175m. In connection with this redemption, £87m was transferred to a Capital Redemption Reserve to maintain the capital contributed by these shares.

22 Minority Interests

	Equity		Non-Equity	
	1999 £m	1998 £m	**1999 £m**	1998 £m
At beginning of year	**61**	68	**236**	238
Exchange rate adjustments	**(1)**	(9)	**8**	(3)
Share of profit after tax	**79**	20	**22**	21
Dividends declared	**(3)**	(10)	**(21)**	(20)
Purchase of shares from minorities	**–**	(7)	**–**	–
Disposals	**–**	–	**–**	–
Other	**3**	(1)	**–**	–
At end of year	**139**	61	**245**	236

The non-equity minority interest represents US$400m of 8.625% Cumulative Guaranteed Quarterly Income Preferred Securities issued by a subsidiary undertaking.

23 Acquisitions

In February 1999, the Group invested £49m to acquire Wedel, a Polish confectionery brand. The acquisition included tangible fixed assets and net working capital with fair values of £16m and £9m respectively. Goodwill arising on this acquisition is £24m. In May 1999, the Group acquired Hawaiian Punch, an American fruit punch brand for £129m, which also represented the total intangible assets capitalised.

In October 1999, the Group announced the completion of the acquisition of DPBCOT. This company has been merged with the ABC, another associate of the Group, to form DPSUBG. Details of the acquisition are set out in Note 12. The Group owns approximately 40% of DPSUBG and the operating profit from DPSUBG is shown within the "Share of operating profit in associates" line in the Group Profit and Loss Account.

23 Acquisitions continued

At the end of 1999, the Group acquired the minority interest in Cadbury Food Co Ltd Beijing, the Group's Chinese confectionery subsidiary. Payments of approximately £3m will be made over a 4 year period. Goodwill arising on this acquisition is £3m.

The cash and earnings impact of these acquisitions have not been disclosed as the acquired businesses have been merged with existing operations and consequently their cash flow and earnings impact are not separately identifiable.

At the end of 1998 the Group acquired the minority interests in Trebor Allan Inc. (Canada). Jaret International (CS) Inc. (US) and Piasten (Germany) under the terms of the respective shareholder agreements. Payments of approximately £46m for these transactions were made in the first quarter of 1999 and goodwill arising on these and other small acquisitions was £46m.

The Group also acquired 39.3% of the equity of ABC in 1998. This acquisition, combined with other immaterial acquisitions in 1998, resulted in total payments during the year of £96m.

All acquisitions have been accounted for using the purchase method of accounting.

24 Leasing Commitments

The future minimum lease payments (excluding advances pending formal commencement of leases) to which the Group is committed as at the year end were as follows:

	Finance leases		Operating leases
	1999 £m	1998 £m	**1999 £m**
Within one year	**8**	7	**29**
Between one and two years	**6**	7	**18**
Between two and three years	**5**	6	**14**
Between three and four years	**3**	5	**12**
Between four and five years	**2**	3	**10**
After five years	**2**	4	**78**
	26	32	**161**
Less: Finance charges allocated to future periods	**(5)**	(5)	**–**
	21	27	**161**

The minimum annual lease payments in 2000, to which the Group was committed under non-cancellable operating leases as at the year end, were as follows:

	Property		Plant and equipment	
	1999 £m	1998 £m	**1999 £m**	1998 £m
On leases expiring:				
Within one year	**3**	4	**3**	1
Between one and five years	**4**	2	**10**	11
After five years	**9**	10	**–**	–
	16	16	**13**	12

The Group leases certain land and buildings on short term and long term operating leases. The rents payable under these leases are subject to re-negotiation at various intervals specified in the leases. The Group pays all insurances, maintenance and repairs on these properties.

Operating lease expenses charged in the Profit and Loss Account are as follows:

	Property **£m**	Plant and equipment **£m**
1999	17	17
1998	18	20
1997	20	20

25 Contingent Liabilities and Financial Commitments

(a) The Company has guaranteed borrowings and other liabilities of certain subsidiary undertakings, the amount outstanding and recognised on the Group Balance Sheet at 2 January 2000 being £515m (1998: £601m). The Company has also guaranteed certain contingent liabilities of some undertakings in which it has an equity interest, the maximum liability at 2 January 2000 being £12m (1998: £11m).
(b) Subsidiary undertakings have guarantees and indemnities outstanding amounting to £46m (1998: £71m).
(c) Concentration of Credit Risk: Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted. Concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for groups of customers or counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Group does not have a significant exposure to any individual customer, counterparty, or to any geographical region. The Group conducts business with banks representing many nationalities, in most cases through offices and branches located in London and maintains strict limits over its exposure to any individual counterparty.

26 Cash Flow from Operating Activities

	1999 £m	1998 £m	1997 £m
Group operating profit	**634**	551	600
Depreciation	**150**	152	145
Goodwill amortisation	**3**	–	–
Non-cash items relating to restructuring provisions	**38**	(3)	22
Non-cash exceptional item	**–**	68	–
Cash items relating to retirement benefits	**(7)**	(2)	(2)
Changes in working capital			
– Stocks	**10**	(3)	(30)
– Debtors	**(25)**	(95)	15
– Creditors	**21**	18	(31)
	824	686	719

The principal cash flows relating to the discontinued operations are identified in Note 2.

27 Foreign Currency Translation

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

	1999 Average	1998 Average	1997 Average	**1999 Closing**	1998 Closing
US dollar	**1.62**	1.66	1.64	**1.61**	1.66
Canadian dollar	**2.40**	2.46	2.27	**2.34**	2.56
Australian dollar	**2.51**	2.61	2.21	**2.46**	2.71
Spanish peseta	**253**	247	239	**268**	236
French franc	**9.99**	9.74	9.51	**10.55**	9.29
Irish punt	**1.20**	1.16	1.08	**1.27**	1.12
South African rand	**9.87**	9.17	7.58	**9.92**	9.79
Mexican peso	**15.40**	15.20	13.00	**15.30**	16.50

28 Post Balance Sheet Events

There have been no reportable post Balance Sheet events.

29 Share Options

Up to 202 million ordinary shares of 12.5p each, being part of the authorised share capital, may be issued under options granted to employees under various share option plans and at 2 January 2000 there were options exercisable over 78,318,758 shares.

With the exception of the savings-related option plans, all option plans grant options at fair market value on the date of the grant. In the case of the savings-related option plans, options are offered to all employees at a discount to the market value on the date of the grant, such a discount being within the limits permitted by the fiscal authorities.

No compensation expense is recorded.

Details of the various plans are as follows:

						Options outstanding			
	Balance outstanding at beginning of year	Granted	Exercised	Cancelled	Balance outstanding at end of year	Exercise prices for options extant during the year in the range (in £ unless otherwise stated)	Weighted average exercise price (in £ unless otherwise stated)	Weighted average contractual life in months	Exercisable at year end
(a)	16,832,548	–	3,697,837	571,305	12,563,406	1.55895 – 2.1440	1.89	22	1,214,434
	7,927,630	3,867,349	83,131	776,788	10,935,060	2.35200 – 3.4140	2.94	55	–
	550,732	–	5,693	131,463	413,576	3.6275	3.63	30	–
(b)	3,013,736	–	504,934	–	2,508,802	1.49935 – 2.2138	2.13	37	2,508,802
(c)	1,733,306	–	198,954	9,880	1,524,472	1.47570 – 2.1379	1.91	24	1,524,472
	1,378,920	–	140,002	–	1,238,918	2.2138	2.21	48	1,238,918
(d)	20,363,502	–	2,024,806	617,588	17,721,108	1.92085 – 2.7450	2.43	72	17,597,108
	16,829,660	10,348,000	166,980	1,424,834	25,585,846	2.96750 – 4.4375	3.85	106	–
	0	46,000	0	0	46,000	4.5125	4.51	75	–
(e)	1,267,504	–	36,044	185,188	1,046,272	1.70190 – 2.4990	1.97	21	334,609
	416,664	650,266	–	258,492	808,438	3.41400 – 3.8525	3.64	54	–
(f)	801,348	–	410,239	69,709	321,400	1.70190 – 2.4990	2.00	21	96,640
	158,536	43,924	319	392	201,749	3.41400 – 3.8525	3.47	60	–
(g)	313,208	–	197,331	14,964	100,913	A$4.195 – 4.945	4.94	8	–
	227,200	278,550	20,547	80,805	404,398	A$9.755 – 10.355	10.14	28	–
	35,160	–	17,529	–	17,631	NZ$4.885 – 5.600	5.60	8	–
	17,400	40,000	514	4,800	52,086	NZ$11.50 – 12.28	12.05	29	–
(h)	874,208	–	867,600	6,608	0	US$3.71210	–	–	–
	0	1,070,832	620	64,888	1,005,324	US$5.97000	5.97	16	–
	794,168	–	10,860	89,076	694,232	US$6.39125	6.39	4	–
(i)	996,576	231,215	–	98,664	1,129,127	3.050 – 3.41	3.21	39	–

(a) A Savings-Related Share Option Scheme for employees was approved by shareholders in May 1982. These options are normally exercisable within a period not later than six months after the repayment date of the relevant “Save-as-you-Earn” contracts which are for a term of three, five or seven years.

(b) A Share Option Scheme for directors and senior executives was approved by shareholders in May 1984. These options are normally exercisable within a period of up to seven years commencing three years from the date of grant.

(c) A Share Option Scheme for senior management overseas was approved by shareholders in May 1986. Options under this scheme are normally exercisable within a period up to seven years commencing three years from the date of grant.

(d) A Share Option Plan for directors, senior executives and senior managers was approved by shareholders in May 1994. Options under this plan are normally exercisable within a period of seven years commencing three years from the date of grant, subject to the satisfaction of certain performance criteria.

(e) A Save-as-you-Earn option plan for eligible employees of Cadbury Ireland Ltd was approved by shareholders in May 1988. These options are exercisable within a period not later than six months after the repayment of the relevant "Save-as-you-Earn" contracts, which are for a term of three, five or seven years.
(f) A Save-as-you-Earn option plan linked to additional voluntary contributions for pension purposes for eligible employees of Cadbury Ireland Ltd was approved by shareholders in May 1987. These options are exercisable within a period not later than six months after the repayment of the relevant "Save-as-you-Earn" contracts, which are for a term of three, five or seven years.
(g) An Option Contribution Plan for employees in Australia and New Zealand was approved by shareholders in May 1993. The options are exercisable in three periods, each of four weeks commencing after the announcement of the Group's interim results.
(h) A Stock Purchase Plan for employees in the US and Canada was approved by shareholders in May 1994. The options are normally exercisable within a period of two weeks commencing on the first business day after the end of the fiftieth bi-weekly deduction period. If the interest earned to 2 January 2000 was taken into consideration, the number of shares exercisable at that date would have been 1,767,538.
(i) The International Savings-Related Share Option Scheme was established by the Directors, under the authority given by shareholders in May 1994. Employees in Spain, France and Portugal were granted options during the year. Options are exercisable within a period not later than three months after the repayment of the relevant "Save-as-you-Earn" contracts, which are for a term of three or five years.

The weighted average fair value at the grant date of options granted were as follows:

	1999	1998
Options whose exercise price equals the market price on the grant date	**99.5p**	98.6p
Weighted average assumptions		
Risk free interest rate	**6.8%**	5.8%
Expected life (months)	**57**	56
Expected volatility	**21.3%**	19.5%
Dividend yield	**2.4%**	2.0%
Options whose exercise price is less than the market price on the grant date	**132.2p**	136.1p
Weighted average assumptions		
Risk free interest rate	**6.6%**	6.2%
Expected life (months)	**53**	59
Expected volatility	**21.8%**	20.9%
Dividend yield	**2.4%**	2.2%

See Note 31 for the pro forma effect of applying the fair value of options granted to US GAAP profit.

The Cadbury Schweppes Irish Employee Share Scheme (the "Irish Share Plan")
In the last five years, 2,206 appropriations under the Irish Share Plan (a profit sharing plan) totalling 58,544 ordinary shares, have been made to Irish registered employees who worked 25 hours or more per week, with two or more continuous years' service. The prices at which the shares will vest, between 25 May 2000 and 22 June 2001, range from £2.16 to £4.0175.

The options held by each Director holding office at the year end are detailed in the Report of the Directors on page 74. There were no options held by them under the Irish Share Plan.

30 Group Companies

	Activities	Country of incorporation and operation	Proportion of issued share capital held if not 100%
Details of principal associated undertakings			
Camelot Group plc*	(c)	Great Britain	26.7%
L'Européenne D'Embouteillage SNC	(b)	France	50%
Apollinaris & Schweppes GmbH & Co	(b)	Germany	28%
Dr Pepper/Seven Up Bottling Group, Inc.	(b)	US	40.6%
Cadbury Nigeria PLC (listed)	(a)	Nigeria	40%
Amalgamated Beverage Industries Ltd (listed)	(b)	South Africa	14.6%
Crystal Candy (Private) Ltd	(a)	Zimbabwe (i)	49%
Schweppes Zimbabwe Ltd (listed)	(b)	Zimbabwe (i)	44.9%
Details of principal subsidiary undertakings			
Operating companies			
United Kingdom			
Cadbury Ltd*	(a)	Great Britain	
Cadbury International Ltd	(a)	Great Britain	
Trebor Bassett Ltd	(a)	Great Britain	
Reading Scientific Services Ltd*	(c)	Great Britain	
Europe			
Schweppes Belgium SA	(b)	Belgium	
Cadbury France SA	(a)	France	
La Pie Qui Chante SA	(a)	France	
Schweppes France	(b)	France	
Piasten Schokoladenfabrik Hofmann GmbH & Co KG	(a)	Germany	
Cadbury Ireland Ltd	(a)	Ireland	
Cadbury Schweppes International Beverages Ltd	(b)	Ireland	
Cadbury Nederland BV	(a)	Netherlands	
Schweppes International Ltd*	(b)	Netherlands† (i)	
Cadbury Wedel Sp. zo.o.*	(a)	Poland	
Cadbury Portugal – Produtos de Confeitaria Lda	(a)	Portugal	
Schweppes Portugal, SA	(b)	Portugal	
Cadbury O.O.O.	(a)	Russia	82%
Cadbury Dulciora SL	(a)	Spain	
Schweppes SA	(b)	Spain	
Americas			
Cadbury Stani SAIC	(a)	Argentina (ii)	
Cadbury Beverages Canada Inc	(b)	Canada	
Cadbury Chocolate Canada Inc.	(a)	Canada	
Trebor Allan Inc	(a)	Canada	
Cadbury Aguas Minerales, SA de CV	(b)	Mexico (i)(ii)	
Bortz Chocolate, Inc.	(a)	US	
Cadbury Beverages Inc	(b)	US	
Dr Pepper/Seven Up, Inc	(b)	US	
Jaret International (CS) Inc.	(a)	US	
Mott's Inc	(b)	US	

	Activities	Country of incorporation and operation	Proportion of issued share capital held if not 100%
Operating companies			
Other overseas:			
Cadbury Schweppes Pty Ltd	(a)(b)	Australia	
Cadbury Food Co Ltd Beijing	(a)	China	
Cadbury Egypt	(a)	Egypt	80%
Food Industries Development Company (Bim Bim)	(a)	Egypt	
Gersy Food Industries Company	(a)	Egypt	
Cadbury Ghana Ltd	(a)	Ghana	
Cadbury Four Seas Company Ltd	(a)	Hong Kong	70%
Cadbury India Ltd (listed)	(a)	India	51%
PT Cadbury Indonesia	(a)	Indonesia	
Cadbury Japan Ltd	(a)	Japan	
Cadbury Kenya Ltd	(a)	Kenya	
Cadbury Confectionery Malaysia SB	(a)	Malaysia	65.5%
Trebor (Malaysia) SB	(a)	Malaysia	65.5%
Cadbury Confectionery Ltd	(a)	New Zealand	
Cadbury Pakistan Ltd	(a)	Pakistan	95.1%
Cadbury Singapore Pte Ltd	(a)	Singapore	
Bromor Foods (Pty) Ltd	(a)	South Africa	55.3%
Cadbury Schweppes (South Africa) Ltd (listed)	(a)	South Africa	55.3%
Cadbury Schweppes (Zambia) Ltd	(b)	Zambia	
Finance and holding companies:			
Berkeley Square Investments Ltd*	(c)	Great Britain	
Cadbury Schweppes Finance p.l.c.*	(c)	Great Britain	
Cadbury Schweppes Group Trustees Ltd*	(c)	Great Britain	
Cadbury Schweppes Investments (Jersey) Ltd	(c)	Jersey	
Cadbury Schweppes Money Management plc*	(c)	Great Britain	
Cadbury Schweppes Overseas Ltd	(c)	Great Britain	
Connaught Investments plc*	(c)	Great Britain	
Cadbury Schweppes France SA	(c)	France	
Cadbury Schweppes Treasury Services	(c)	Ireland	
Cadbury Schweppes Investments BV	(c)	Netherlands (i)	
Cadbury Schweppes Delaware, LP	(c)	US	
Cadbury Schweppes Holdings, Inc	(c)	US (i)	
Cadbury Schweppes Australia Ltd	(c)	Australia (ii)	
CS Finance Pty Ltd	(c)	Australia	

*Investment held directly by Cadbury Schweppes plc
†Incorporated in Great Britain

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

The nature of the activities of the individual companies is designated as follows:
(a) Confectionery
(b) Beverages
(c) Other (including holding companies).

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

31 Summary of Differences Between UK and US Generally Accepted Accounting Principles

The financial statements are prepared in accordance with generally accepted accounting principles applicable in the UK ("UK GAAP"), which differ in certain significant respects from those applicable in the US ("US GAAP"). These differences relate principally to the following items and the necessary adjustments are shown in the tables set out on pages 128 to 130.

The Group has not adopted the requirements of US Statement of Financial Accounting Standard (SFAS) 133 "Accounting for Derivative Instruments and Hedging Activities" which will be effective for the Group's 2001 financial statements. The Group has not quantified the impact of the standard on the US GAAP amounts, however the standard could increase volatility in US GAAP earnings.

(a) Goodwill and Intangible assets

Prior to 1998, under UK GAAP the Group wrote off acquisition goodwill against reserves in the balance sheet in the year of acquisition. From 1998, under UK GAAP, acquired goodwill is capitalised and its subsequent measurement (via annual impairment review or annual amortisation charge) is determined based on the individual circumstances of each business acquired. Prior to 1998, under US GAAP, goodwill was recognised on the balance sheet and amortised by charges against profit over its estimated useful life, not to exceed 40 years.

A portion of the goodwill capitalised from 1998 is not being amortised under UK GAAP (see Note 1); for US GAAP purposes this goodwill is being amortised over a period of 20 years. Other goodwill capitalised from 1998 is being amortised over 20 years for UK GAAP purposes; the same estimated useful life has also been used for US GAAP purposes.

Under UK GAAP, the cost of brands (trademarks) acquired may be capitalised and no amortisation or writedown is required unless there is an impairment in value below cost. On an annual basis, the Group reviews non-amortised goodwill and brands for possible impairment using an estimate of the related businesses discounted cash flows in measuring whether the asset is recoverable. For US GAAP purposes purchased brands are being amortised on a straight line basis over 40 years.

(b) Interest capitalisation

Under UK GAAP, the capitalisation of interest is optional and the Company has only capitalised interest on major capital construction projects since 1993. Under US GAAP interest is required to be capitalised on capital construction projects and amortised over the life of the asset.

(c) Foreign currency hedges

Under US GAAP, hedging of foreign currency transactions is only allowable for transactions which are firm commitments. Some of the Group's foreign currency contracts hedge forecast or budgeted transactions which do not meet the definition of a firm commitment; gains or losses on these contracts cannot be deferred but must be recognised in net income.

Under UK GAAP, these gains or losses can be deferred until the hedged transaction actually occurs.

(d) Deferred taxation

Under UK GAAP, no provision is made for deferred taxation if there is reasonable evidence that such deferred taxation will not be payable in the foreseeable future. Under US GAAP, deferred taxation is provided for all differences between the book and tax bases of assets and liabilities.

(e) Revaluation of properties

Under UK GAAP, properties were, up to 1999, re-stated on the basis of appraised values in financial statements prepared in all other respects in accordance with the historical cost convention. Such re-statements are not permitted under US GAAP.

(f) Ordinary dividends

Under UK GAAP, final ordinary dividends are provided in the financial statements on the basis of the recommendation by the Directors which requires subsequent approval by the shareholders to become a legal obligation of the Company. Under US GAAP, dividends are only provided when the legal obligation to pay arises.

(g) Pension costs

Under UK GAAP, the costs of providing pension benefits may be calculated by the use of any recognised actuarial method which is appropriate and whose assumptions reflect the long term nature of the assets and liabilities involved. Under US GAAP, the costs of providing these benefits are calculated using the projected unit credit method and a discount rate (being the rate of interest at which pension liabilities could be effectively settled) which reflects current market rates.

(h) Cash Flows

Under UK GAAP the Company complies with the FRS 1 “Cash Flow Statements” the objective and principles of which are similar to those set out in SFAS 95 “Statement of Cash Flows”. Under FRS 1 (Revised), the Company presents its cash flows for (a) operating activities; (b) dividends from associates; (c) returns on investments and servicing of finance; (d) taxation; (e) capital expenditure and financial investments; (f) acquisitions and disposals; (g) dividends to ordinary shareholders; (h) management of liquid resources; and (i) financing activities. SFAS 95 requires only three categories of cash flow activity (a) operating; (b) investing; and (c) financing.

Cash flows arising from taxation and returns on investments and servicing of finance under FRS 1 would be included as operating activities under SFAS 95; dividend payments would be included as a financing activity under SFAS 95 and cash flows from capital expenditure, long term investments, acquisitions and disposals would be included as investing activities under SFAS 95. In addition, under FRS 1, cash represents cash at bank and in hand less bank overdrafts; cash equivalents (liquid resources) are not included with cash. Movements of liquid resources are included under a separate heading under FRS 1.

Payments made against provisions set up on the acquisition of subsidiaries have been included in acquisitions and disposals in the cash flow statement. Under US GAAP these payments would be included in determining net cash provided by operating activities.

(i) Discontinued operations

Under UK GAAP, the Company complies with FRS 3 “Reporting Financial Performance” in determining disposed businesses that should be classified as discontinued operations. Under US GAAP the beverages units disposed in 1999 would not be considered discontinued operations as they do not constitute a separate business segment.

(j) Restructuring costs

The classification of costs of £11m as restructuring in DPSUBG, the Group’s US bottling associate, does not meet the definition of restructuring costs under US GAAP.

(k) Comprehensive income statement

The requirement of FAS130 to provide a comprehensive income statement is met by the Statement of Total Recognised Gains and Losses on page 87.

(l) Employee Trust

Under UK GAAP, own shares held by the Employee Trust are accounted for as fixed asset investments. Under US GAAP, own shares are accounted for within shareholders’ equity.

31 Summary of Differences Between UK and US Generally Accepted Accounting Principles continued

Effects on profit of differences between UK and US generally accepted accounting principles

	1999 £m	1998 £m	1997 £m
Profit for the Financial Year from continuing operations, net of tax (per UK GAAP)	**642**	348	337
US GAAP adjustments:			
Amortisation of goodwill and trademarks	**(89)**	(87)	(83)
Depreciation of capitalised interest	**(6)**	(6)	(10)
Pension costs	**3**	14	(5)
Exceptional item/Disposal gain adjustment	**23**	(7)	19
Timing of recognition of foreign currency hedges	**(3)**	4	(12)
Other items	**–**	–	1
Taxation on above adjustments	**2**	1	7
Deferred taxation	**22**	(10)	6
Profit for the Financial Year from continuing operations, net of tax, as adjusted for US GAAP	**594**	257	260
Profit from discontinued operations, net of tax, as adjusted for US GAAP	**–**	–	1
Gain on disposal of discontinued operations, net of tax, as adjusted for US GAAP	**–**	–	356
Profit for the Financial Year as adjusted for US GAAP	**594**	257	617

Earnings per ADS under US GAAP

	1999 £ per ADS	1998 £ per ADS	1997 £ per ADS
Earnings per ADS from continuing operations:			
Basic	**1.17**	0.51	0.52
Diluted	**1.16**	0.50	0.51
Earnings per ADS from discontinued operations net of tax:			
Basic	**–**	–	–
Diluted	**–**	–	–
Gain on disposal of discontinued operations per ADS, net of tax:			
Basic	**–**	–	0.71
Diluted	**–**	–	0.70
Total earnings per ADS:			
Basic	**1.17**	0.51	1.23
Diluted	**1.16**	0.50	1.21

There is no material difference in earnings under the Basic and Diluted Earnings per ADS calculations. See Note 9 for a reconciliation of shares used in the Basic and Diluted EPS calculations.

	1999	1998	1997
Average number of ADS – Basic	**507**	508	503
Average number of ADS – Diluted	**513**	515	508

The Company applies US APB Opinion 25 and related interpretations when accounting for its share option plans (see Note 29 for a summary of the plans). Had compensation cost for the Company's share option plans been determined based on the fair value at the grant date for awards under those plans consistent with the method of SFAS Statement 123 "Accounting for Stock-Based Compensation", the Company's profit and earnings per share under US GAAP would have been reduced to the pro forma amounts indicated below:

	1999	1998
	£m except per ADS data	
Profit for the Financial Year from continuing operations as adjusted for US GAAP:		
As reported	**594**	257
Pro forma	**579**	243
Basic earnings per ADS per US GAAP:		
As reported	**1.17**	0.51
Pro forma	**1.14**	0.48
Diluted earnings per ADS per US GAAP:		
As reported	**1.16**	0.50
Pro forma	**1.13**	0.47

Further details regarding the fair valuation of option grants can be found in Note 29.

31 Summary of Differences Between UK and US Generally Accepted Accounting Principles continued

Cumulative effect on Shareholders' Funds of differences between UK and US generally accepted accounting principles

	1999 £m	1998 £m	1997 £m
Shareholders' Funds per UK GAAP	**2,240**	1,843	1,676
US GAAP adjustments:			
Goodwill and intangibles	**1,011**	1,063	1,178
Pension costs	**(31)**	(30)	(45)
Interest capitalisation	**9**	15	21
Property revaluations	**(58)**	(62)	(67)
Dividends	**141**	135	127
Other items	**(4)**	–	(3)
Taxation on above adjustments	**(2)**	(5)	(6)
Deferred taxation	**(54)**	(77)	(67)
Employee Trust	**(88)**	–	–
Shareholders' Funds as adjusted for US GAAP	**3,164**	2,882	2,814

The gross amounts of goodwill, brands and tangible fixed assets and the corresponding accumulated amortisation/depreciation under US GAAP are as follows:

	1999 £m	1998 £m
Goodwill:		
Gross	**1,522**	1,565
Accumulated amortisation	**(295)**	(253)
	1,227	1,312
Brands:		
Gross	**1,660**	1,561
Accumulated amortisation	**(229)**	(201)
	1,431	1,360
Tangible fixed assets:		
Gross	**2,172**	2,117
Accumulated depreciation	**(1,133)**	(1,048)
	1,039	1,069

The analysis of cumulative exchange differences within Shareholders' Funds is as follows:

	1999 £m	1998 £m	1997 £m
Balance at beginning of year	**200**	170	137
Movement in the year:			
Translation adjustments	**6**	34	40
Tax effect	**–**	(4)	(7)
Balance at end of year	**206**	200	170

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Registered Office and Group Headquarters

25 Berkeley Square
London W1X 6HT
UK

Registered in England and Wales No. 52457

Australian Registered Body No. 003 693 098

Secretary

M A C Clark

Financial Calendar

	Final Dividend for 1999	Interim Dividend for 2000
Ordinary shares		
Announcement of results	16 February 2000	26 July 2000
Ex-dividend date	28 February 2000	7 August 2000
Record date	3 March 2000	11 August 2000
Dividend payment	19 May 2000	17 November 2000

The Annual General Meeting of the Company is on 4 May 2000.
Subject to confirmation in the notice of the meeting, the Annual General Meeting of the Company in 2001 will be on 3 May 2001.

Dividends

The interim dividend for 1999 of 3.05 pence net per ordinary share was paid on 19 November 1999. The final dividend for 1999 of 6.95 pence per ordinary share was recommended by the Directors on 16 February 2000 and, subject to approval at the Annual General Meeting, will be paid on 19 May 2000 to ordinary shareholders on the register at the close of business on 3 March 2000. The recommended final dividend totals £141 million.

The Company has paid cash dividends on its ordinary shares in respect of every financial year since the merger of Cadbury Group Limited with Schweppes, Limited in 1969.

Dividends are paid to holders of ordinary shares on dates which are fixed in accordance with the guidelines of the London Stock Exchange. A final dividend is normally recommended by the Board of Directors following the end of the financial year to which it relates and is paid in the following May, subject to shareholders' approval at the Company's Annual General Meeting. The dividends for holders of ADSs are normally paid by the Depositary one week after the dividend is paid to ordinary shareholders.

Table 7·1 details the amounts of interim, final and total dividends paid in respect of each financial year indicated, translated into US dollars per ADS (each representing four ordinary shares) at the Noon Buying Rate on each of the respective payment dates for interim and final dividends, increased by the associated tax credit up to 1996.

Table 7·1

	Pence per Ordinary Share			Translated into US Dollars per ADS		
Financial Year	Interim	Final	Total	Interim	Final	Total
1995	3.065	6.935	10.000	0.190	0.420	0.610
1996	3.250	7.375	10.625	0.220	0.480	0.700
1997	2.750	6.250	9.000	0.185	0.407	0.592
1998	2.900	6.600	9.500	0.191	0.467	0.658
1999	3.050	6.950(a)	10.000	0.218		

(a) To be paid on 19 May 2000 (Paid 26 May 2000 in US)

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

Share Dividend Alternative

The Company last offered a Share Dividend Alternative in respect of the final dividend 1996 (paid in May 1997). The subsequent dividends, from the interim dividend 1997 to the interim dividend 1998 inclusive, were paid as Foreign Income Dividends and no Share Dividend Alternative could be offered. The Share Dividend Alternative has been suspended since October 1997.

Dividend Reinvestment Plan

A Dividend Reinvestment Plan ("DRIP") is in operation. The DRIP enables shareholders to apply the whole of their cash dividends to buy additional ordinary shares in the Company in the market at competitive dealing rates. Full details of the DRIP can be obtained from the Registrars. Completed Application Forms for the DRIP, to apply to the final dividend 1999, must be returned to the Registrars by 27 April 2000.

Low Cost Share Dealing Service

Hoare Govett Limited operates a Low Cost Share Dealing Service in the ordinary shares of the Company which enables investors to buy or sell certificated shareholdings in a simple, economic manner.

The basic commission is 1% of the value of the transaction with a minimum charge of £10. This is a postal service. Transactions are executed and settled by Pershing Securities Limited. The service is subject to the detailed terms and conditions set out in the Hoare Govett leaflet, which can be obtained by telephoning 020 7678 8300 or by writing to:

Hoare Govett Limited
250 Bishopsgate
London EC2M 4AA

This service is not available to US persons for the purpose of the United States Securities Act 1933 nor to shareholders who are or will be registered on the Australian Register.

Registrars

Shareholder records are maintained on either the UK Register by Lloyds TSB Registrars or the Australian Register by Perpetual Registrars Limited. Arrangements for American Depositary Shares in the US are set out on pages 134 and 135.

UK Registrar

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA
UK
Telephone: 01903 502541

The Registrar should be notified in writing of changes to name or address, loss of a share certificate or dividend warrant or a change to or notification of a dividend mandate (see page 134).

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

UK Registrar continued

Shareholders should ensure that all communications are addressed to: The Registrar, Cadbury Schweppes plc at the Lloyds TSB Registrars address on page 133 and include their reference number, which starts with 0303, as detailed on the dividend tax voucher.

Dividend Mandate

Dividends for shareholders on the UK Register are paid through BACS and can be paid directly into a UK bank or building society account with the tax voucher sent direct to the shareholder's registered address. A dividend mandate form is available from Lloyds TSB Registrars.

Australian Registrar

Perpetual Registrars Limited
Level 4
333 Collins Street
Melbourne
Victoria 3000
Australia
Telephone: (03) 9205 4999
http://www.perpetual.com.au

Postal Address
Perpetual Registrars Limited
GPO Box 1736P
Melbourne
Victoria 3001
Australia

The Registrar should be notified in writing of changes to name or address, loss of a share certificate or dividend warrant or a change to or notification of a direct dividend credit (see below).

Shareholders should ensure that all communications are addressed to: The Registrar, Cadbury Schweppes plc at the Perpetual Registrars postal address above and include their reference number, which starts with C000, as detailed on the dividend tax voucher.

Direct Dividend Credit

Dividends for shareholders on the Australian Register can be paid directly into an Australian bank or building society account. A form for direct credit of dividends is available from Perpetual Registrars Limited.

"Q" Arrangement

The "Q" arrangement ceased with effect from 6 April 1999 due to changes in UK tax legislation which removed the right to UK tax refunds on dividends.

United States of America

Cadbury Schweppes American Depositary Shares ("ADS") are quoted on the New York Stock Exchange. One ADS represents four ordinary shares.

SEC Filings

In accordance with US legislation, portions of this Report have been incorporated by reference to the Company's Annual Report on Form 20-F, filed with the Securities and Exchange Commission ("SEC") in Washington DC, and a copy of this Report has been filed as an exhibit to a Form 6-K filed with the SEC. This filing is available for public inspection and ADS holders may obtain a copy of the Form 20-F from the New York office of Morgan Guaranty Trust Company of New York. Other shareholders wishing to see a copy of the Form 20-F should apply to the Company Secretary in London.

Global Invest Direct

Global Invest Direct ("GID") is a program established by Morgan Guaranty Trust Company of New York for existing holders of ADSs and those persons making a purchase of American Depositary Receipts ("ADRs") in the Company for the first time. GID provides a convenient and economical way for investors to increase their ADR investment in the Company.

Further information about GID may be obtained from Morgan Guaranty Trust Company: Freephone: #1 800 749 1687 (US only) or at the address below. For calls from outside the US dial 1 781 575 4328.

Contact Point – ADS Depositary

Morgan Guaranty Trust Company of New York is Depositary for Cadbury Schweppes American Depositary Shares: Telephone: (781) 575 4328. Information about GID and shareholder enquiries may be directed to:

Morgan Guaranty Trust Company of New York
PO Box 842006
Boston
MA 02284-2006
http://www.adr.com

The Trading Market

The principal trading market for the ordinary shares of 12.5p is the London Stock Exchange Limited (the "London Stock Exchange") in London, England. American Depositary Shares ("ADSs"), for which Morgan Guaranty Trust Company of New York (the "Depositary") is the Depositary, have been traded on the New York Stock Exchange since 2 May 1996 under the ticker symbol CSG. Previously they were traded on the over-the-counter market in the US from 1984 until 1 May 1996 and were quoted on NASDAQ under the symbol CADBY. In 1989 a listing of the ordinary shares was also obtained on the Australian Stock Exchange Limited on which the ordinary shares are quoted under the symbol CBS.

Following the share subdivision in May 1999, each ADS represents four ordinary shares of 12.5p.

The following table sets forth for the calendar quarters indicated the highest and lowest middle market quotations for the ordinary shares (as derived from the Daily Official List of the London Stock Exchange) and the highest and lowest sales prices of the ADSs as reported on the New York Stock Exchange composite tape:

Table 7·2

Financial Year		Ordinary Shares High (Pence)	Ordinary Shares Low (Pence)	American Depositary Shares High (US$)	American Depositary Shares Low (US$)
1998:	First quarter	425.75	306.75	28.62	20.12
	Second quarter	495.75	411.00	32.44	27.12
	Third quarter	487.50	363.50	32.25	25.72
	Fourth quarter	520.50	361.00	35.06	24.25
1999:	First quarter	522.50	433.50	34.56	28.69
	Second quarter	466.50	396.00	30.12	25.88
	Third quarter	435.50	386.50	28.69	25.38
	Fourth quarter	425.25	345.50	28.44	22.88

The ADS price is affected by the exchange rate between the pound sterling and the US dollar. See Exchange Rates on page 137.

At 2 January 2000, 71 million ordinary shares were held as ADSs by 1,726 account holders with registered addresses in the US, representing approximately 3.5% of the outstanding ordinary shares. Analysis of the share register and of the beneficial ownership of ordinary shares held by nominees through the London Stock Exchange indicated that in total 275 million ordinary shares, including those held through ADSs, were held by 2,138 investors with addresses in the US, representing 13.6% of the outstanding ordinary shares.

The Trading Market continued

The 8.625% Cumulative Guaranteed Quarterly Income Preferred Securities, Series A (the "Preferred Securities") (liquidation preference $25 per security) issued by Cadbury Schweppes Delaware, LP and guaranteed as to certain payments by the Company, are traded on the New York Stock Exchange. The following table shows, for the financial quarters indicated, the highest and lowest sales prices of the Preferred Securities as reported on the New York Stock Exchange composite tape:

Table 7·3

Financial Year		High (US$)	Low (US$)
1998:	First quarter	$27\frac{3}{8}$	$26\frac{9}{16}$
	Second quarter	$26\frac{13}{16}$	$26\frac{1}{8}$
	Third quarter	27	$26\frac{3}{16}$
	Fourth quarter	$27\frac{3}{8}$	$26\frac{1}{2}$
1999:	First quarter	27	$26\frac{1}{8}$
	Second quarter	$26\frac{11}{16}$	$25\frac{7}{16}$
	Third quarter	$25\frac{13}{16}$	$24\frac{15}{16}$
	Fourth quarter	$25\frac{5}{16}$	$22\frac{9}{16}$

Exchange Controls and other Limitations affecting Security Holders

There are at present no UK foreign exchange control restrictions on remittance of dividends on the Company's ordinary shares or on the conduct of the Company's operations. There are no restrictions under the Company's Memorandum and Articles of Association or under English law that limit the right of non-resident or foreign owners to hold or vote the Company's ordinary shares.

In the event that a person who is or was interested in ordinary shares fails to give the Company any information required by a notice given pursuant to Section 212 of the Companies Act 1985 (as amended) (the "Companies Act") (which confers upon public companies the power to require information with respect to interests in their voting shares) within the time specified in the notice, the Company may apply to the Court for an order, inter alia, that no voting rights be exercisable in respect of such shares and that no shares be issued or (except on liquidation) payment be made by the Company in respect of such shares. The Company may also withhold payment of dividends or other monies, and the holder shall not be entitled to attend or vote at general meetings, if (i) the Company has given notice to the registered holder (being a corporation or the holder of more than 0.01% of the voting rights in the Company) requiring the delivery of an ownership declaration by the beneficial owner pursuant to the Articles of Association (the "Articles") of the Company; (ii) no such declaration has been delivered during the period of 14 days since the service of the notice; and (iii) the Company has given a further notice to the registered holder in accordance with the Articles.

Under the Companies Act, any person who acquires (alone or, in certain circumstances, with others) a material interest in the voting share capital of the Company equal to, or in excess of, 3% or a non-material interest equal to, or in excess of, 10% comes under an obligation to disclose prescribed particulars to the Company in respect of those ordinary shares. An obligation of disclosure also arises where such person's notifiable interests subsequently fall below the notifiable percentage or, where, above that level, the percentage (expressed in whole numbers) of the Company's voting share capital in which a person has a notifiable interest, increases or decreases.

Exchange Rates

The following table sets forth for the financial years indicated the average, high, low and period end Noon Buying Rates (i.e. the noon buying rate in New York City for cable transfers in foreign currencies as announced for customs purposes by the Federal Reserve Bank of New York) for pounds sterling expressed in US dollars per £1.00:

Table 7·4

Financial Year (a)	Average (b)	High	Low	Period end
1995	1.58	1.64	1.53	1.55
1996	1.56	1.69	1.49	1.69
1997	1.64	1.70	1.58	1.64
1998	1.66	1.72	1.61	1.66
1999	1.62	1.68	1.55	1.61

(a)The Company's financial year ends on the Sunday nearest to 31 December. Prior to 1999, the financial year ended on the Saturday nearest to 31 December.
(b)The average of the exchange rates on the last day of each full month during the period.

On 2 January 2000, the Noon Buying Rate for the pound sterling was £1.00 = US$1.61. Fluctuations in the exchange rate between the pound sterling and the US dollar will affect the US dollar equivalent of the pound sterling prices of the Company's ordinary shares listed on the London Stock Exchange and, as a result, are likely to affect the market price of the ADSs in the US. Such fluctuations will also affect the US dollar amounts received by holders of ADSs on conversion by the Depositary of cash dividends paid in pounds sterling on the ordinary shares represented by the ADSs.

Taxation

This discussion of UK and US tax law considerations is intended only as a descriptive summary and does not purport to be a complete technical analysis or listing of all potential tax effects relevant to the ownership of ordinary shares or ADSs. The summary of UK and US tax laws set out below is based: (i) on the laws in force as at 2 January 2000, and is subject to any changes in US or UK law, in any double taxation convention between the US and the UK or in UK Inland Revenue practice, occurring after 2 January 2000; and (ii) in part on representations of the Depositary and assumes that each obligation provided for in, or otherwise contemplated by, the Deposit Agreement and any related agreement will be performed in accordance with its terms. This summary is not exhaustive of all possible tax considerations and holders of ordinary shares or American Depositary Receipts ("ADRs") representing ADSs are advised to satisfy themselves as to the overall tax consequences of their ownership of ordinary shares or ADRs and the ADSs and the ordinary shares represented thereby, by consulting their own tax advisors. This summary does not deal with the UK tax consequences to a US resident shareholder (as defined on page 138) that is resident, or in the case of an individual resident or ordinarily resident, for UK tax purposes in the UK or that carries on business in the UK through a branch or agency.

For the purpose of the current US-UK double taxation conventions and for the purposes of the US Internal Revenue Code of 1986, as amended, and the rules and regulations thereunder (the "Code"), discussed below, the holders of ADRs should be treated as the owners of the underlying ordinary shares represented by the ADSs that are evidenced by such ADRs.

Taxation of Dividends

Recent UK legislation has made significant changes to the tax treatment of dividends paid on or after 6 April 1999.

UK Residents

An individual shareholder resident in the UK is treated for UK income tax purposes as having taxable income equal to the sum of the dividend paid and the tax credit attaching to the dividend. The tax credit is equal to one-ninth of the dividend and may be credited against the shareholder's UK income tax liability. The tax credit is sufficient to satisfy the lower or basic rate income tax liability in respect of the dividend, but further income tax at the higher rate may be payable depending on the shareholder's personal circumstances. Where ordinary shares are held in Personal Equity Plans and Individual Savings Accounts, the tax credit on dividends received into such accounts before 6 April 2004 will generally be repayable.

US Residents

US resident shareholders will be treated as receiving dividend income equal to the sum of the dividend and the tax credit, reduced by UK withholding tax at 10% which will be available as a foreign tax credit subject to the provisions of the Code. Thus, a US resident shareholder receiving a dividend of £90 will be treated as receiving taxable income of £100 less UK withholding tax of £10. No refund of UK tax will be available.

The gross dividend (the sum of the dividend paid by the Company plus the related UK tax credit) payable to a holder who is a US citizen or a US resident (as defined below) will generally be treated as foreign source dividend income for US Federal Income Tax purposes. The amount of any cash distribution paid in pounds sterling, including UK taxes withheld therefrom, will be the US dollar value of the pounds sterling payment on the date of receipt by the US holder (or, in the case of ADRs, by the Depositary), regardless of whether the payment is converted into US dollars. Gain or loss, if any, recognised on the sale or disposition of pounds sterling generally will be ordinary US source income or loss. Such dividend will not be eligible for the 70% dividends received deduction allowed to US corporations under Section 243 of the Code.

Special rules apply for the purposes of determining the dividend paid and foreign tax credit available to a US corporation which, either alone or together with one or more associated corporations, controls, directly or indirectly, 10% or more of the voting stock of the Company.

As used herein, the term "US resident" includes an individual resident in the US for purposes of US tax, a US corporation and a foreign corporation or non-resident alien individual engaged in the conduct of a trade or business within the US with which a dividend or gain, as the case may be, on the ADRs or ordinary shares is effectively connected.

Others

Holders of ordinary shares or ADRs who reside in countries other than the US or the UK should note that those shareholders who were entitled to full or partial refunds of tax credits pursuant to double taxation conventions will, generally, with respect to dividends paid by the Company on or after 6 April 1999, cease to be able to obtain payment in respect of tax credits.

Capital Gains

UK Capital Gains Tax

The values at 31 March 1982 for the purposes of UK capital gains tax adjusted to reflect the share split in 1999 were:

ordinary shares of 12.5p each	49.25p	77.535p*

*77.535p is the adjusted price for shareholders who subscribed for their full entitlements under the rights issues in October 1993 and February 1995.

Taxation of Capital Gains for US Residents

Holders of ADRs or ordinary shares who are US resident individuals or US corporations, and who are not resident or ordinarily resident in the UK, will not be subject to UK taxation on capital gains realised on the disposal of their ADRs or ordinary shares, unless the ADRs or ordinary shares are used or held for the purposes of a trade, profession or vocation carried on in the UK through a branch or agency.

A holder of ADRs or ordinary shares who is a US citizen or a US resident (as defined above) will generally recognise gain or loss for US federal income tax purposes on the sale or other disposition of ADRs or ordinary shares in an amount equal to the difference between the US dollar value of the amount realised and the holder's tax basis in the ADRs or ordinary shares. Such gain or loss will be capital gain or loss if the ADRs or ordinary shares are held as capital assets, and will generally be long term capital gain or loss if the ADRs or ordinary shares were held for more than one year. Any such gain or loss will generally be US source gain or loss.

Long term capital gains of individuals, under certain circumstances are taxed at preferential rates. Generally, individuals will be taxed on net capital gains on assets held for more than one year at a maximum rate of 20%.

Estate and Gift Tax

The current Estate and Gift Tax Convention between the US and the UK generally relieves from UK Inheritance Tax (the equivalent of US Estate and Gift Tax) the transfer of ordinary shares or of ADRs where the shareholder or holder of the ADRs making the transfer is domiciled, for the purposes of the Convention, in the US. This will not apply if the ordinary shares or ADRs are part of the business property of an individual's permanent establishment in the UK or pertain to the fixed base in the UK of a person providing independent personal services. If no relief is given under the Convention, Inheritance Tax may be charged on the amount by which the value of the transferor's estate is reduced as a result of any transfer made by way of gift or other gratuitous transaction by an individual (in general within seven years of death) or on the death of an individual. In the unusual case where ordinary shares or ADRs are subject to both UK Inheritance Tax and US Estate or Gift Tax, the Convention generally provides for tax paid in the UK to be credited against tax payable in the US or for tax paid in the US to be credited against tax payable in the UK based on priority rules set forth in the Convention.

Stamp Duty

No stamp duty or stamp duty reserve tax ("SDRT") will be payable in the UK on the purchase or transfer of an ADR, provided that the ADR (and any separate instrument or written agreement of transfer) remains at all times outside the UK and that the instrument or written agreement of transfer is not executed in the UK. Stamp duty or SDRT is, however, generally payable at the rate of 1.5% of the amount or value of the consideration or, in some circumstances, the value of the ordinary shares, where ordinary shares are issued or transferred to a person whose business is or includes issuing depositary receipts, or to a nominee or agent for such a person.

A transfer for value of the underlying ordinary shares will generally be subject to either stamp duty or SDRT, normally at the rate of 0.5% of the amount or value of the consideration. A transfer of ordinary shares from a nominee to its beneficial owner (including the transfer of underlying ordinary shares from the Depositary to an ADR holder) under which no beneficial interest passes is subject to stamp duty at the fixed rate of 50p per instrument of transfer or, where such instrument is executed on or after 1 October 1999, £5.00 per instrument of transfer.

Close Company Status

So far as the Directors are aware the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company and there has been no change in that position since the end of the financial year.

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Glossary

Terms used in this Annual Report	US equivalent or brief description
Accounts	Financial statements
Advance corporation tax	No direct US equivalent. Tax paid on company distribution recoverable from UK taxes due on income
Allotted	Issued
Associated undertaking	Generally a 20%-50% owned investee
Brands	Trademarks
Called-up share capital	Ordinary shares, issued and fully paid
Capital allowances	Tax term equivalent to US tax depreciation allowances
Cash at bank	Cash
Creditors	Accounts payable/payables
Creditors: Amounts falling due after more than one year	Long term liabilities
Creditors: Amounts falling due within one year	Current liabilities
Debtors	Accounts receivable/receivables
Fair values	Current values
Finance lease	Capital lease
Financial year	Fiscal year
Freehold	Ownership with absolute rights in perpetuity
Freehold land	Land owned
Gearing	Leverage
Group, or consolidated accounts	Consolidated financial statements
Interest receivable	Interest income
Interest payable	Interest expense
Loan capital	Long term debt
Net asset value	Book value
Pension scheme	Pension plan
Profit	Income (or earnings)
Profit and loss account (reserve)	Retained earnings
Profit and loss account	Income statement
Profit attributable to ordinary shareholders	Net income
Reconciliation of movements in shareholders' funds	Statement of changes in stockholders' equity
Reserves	Stockholders' equity other than capital stock
Share capital	Ordinary shares, capital stock or common stock issued and fully paid
Share option	Stock option
Share premium account	Additional paid-in capital relating to proceeds of sale of stock in excess of par value or paid-in surplus (not distributable)
Shares in issue	Shares outstanding
Shareholders' funds	Stockholders' equity
Stocks	Inventories
Tangible fixed assets	Property, plant and equipment
Turnover	Revenues (or sales)

Cross reference to Form 20-F

The information in this document that is referred to below shall be deemed to be part of the annual report on Form 20-F for 1999 and is therefore filed with the Securities and Exchange Commission in the US for all purposes and is the only information that is intended to be so filed or incorporated by reference into any filing by the Company under applicable US securities laws. References below to major headings include all information under such major headings, including subheadings. References to subheadings include only information contained under such subheadings.

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The noon buying rate on 24 February 2000 was £1=US$1.60.

Forward looking statements

Forward looking statements, within the meaning of Section 21E of the US Securities Exchange Act of 1934, are made throughout this Report. Forward looking statements are based on management's current views and assumptions, and involve risks and uncertainties that could significantly affect expected results. For example, results may be affected by external factors such as: international economic and political conditions (including worsening economic conditions in developing countries in which the Group has operations); currency rate fluctuations; actions of competitors, certain of which have resources greater than the Group; changes in laws and regulations, including changes in accounting standards; difficulties in obtaining governmental approval for intended acquisitions or disposals; distributor and licensee relationships and actions; consumer demand and acceptance of new products; effectiveness of spending and marketing programmes; fluctuations in the cost and availability of raw materials; and unusual weather patterns.

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IFC = Inside Front Cover

Enquiries

For enquiries regarding shareholdings that are not appropriate for either of the Registrars or the ADS Depositary, please contact the Secretary.

For enquiries of a general nature regarding the Company and for Investor Relations enquiries, please contact Corporate Communications.

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The Company's commitment to environmental issues has been reflected in the production and despatch of this Annual Report and Form 20-F.

The papers are: cover and text pages 1 to 24: Mega matt, manufactured in Germany; and text pages 25 to 148: Solaire, manufactured in Scotland.

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Inside Back Cover

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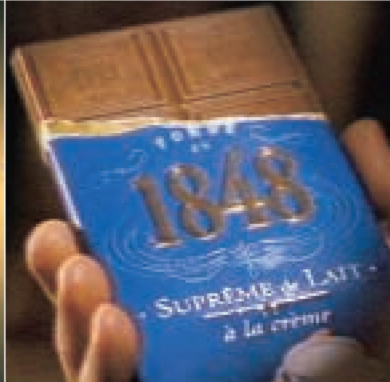
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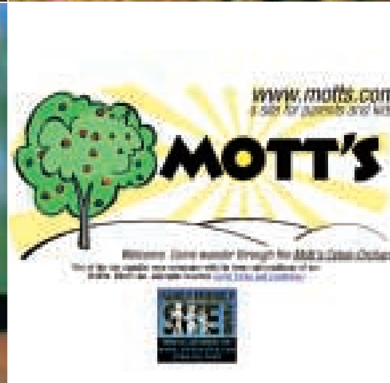
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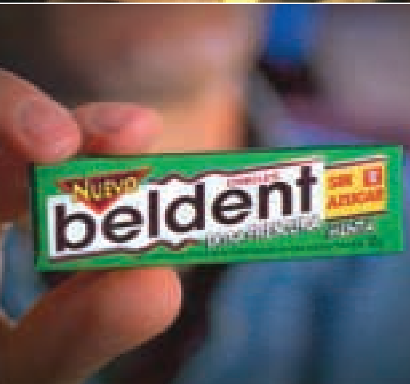
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