Cadbury Schweppes

Annual Report 1996

Cover photography

Cadbury Ltd is the UK's leading chocolate confectionery manufacturer with a 30% share of the £3.4 billion chocolate market. The Cadbury's Dairy Milk Megabrand – Cadbury's Dairy Milk, Fruit & Nut and Wholenut – had a volume share of over 46% of the moulded sector in 1996.

Schweppes' famous Indian Tonic Water has been available since the 1870s and today the Schweppes range is sold in over 85 countries around the world. The distinctive plastic bottle reflects a major British innovation in bottle technology.

Produced in Egypt since 1990, Cadbury's Dairy Milk range now has almost 50% of the Egyptian moulded chocolate market. Egypt, with a population of 60 million, is the largest confectionery market in the Middle East and North Africa.

Popular in Egypt since 1982, the Schweppes brand was re-launched in June 1996 under new licence and bottling arrangements. In addition to Schweppes Tonic, enjoyed by many consumers in the 15-30 age group, the Schweppes range includes Tangerine, Orange, Apple, Cloudy Lemon and Soda.

The Annual General Meeting will be held on Thursday, 8 May 1997. 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.

Contents

Cadbury Schweppes is a major global company in beverages and confectionery whose quality brands and products are enjoyed in over 200 countries around the world. Our task is to build on our traditions of quality and value to provide brands, products, financial results and management performance that meet the interests of our shareholders, consumers, employees, customers, suppliers and the communities in which we operate.

Year at a Glance

Beverages Stream

- **Dr Pepper continues to outpace the growth of the US market**
- **7 UP stabilises its position in the US against intense competition**
- **New long term licensing agreements for our key brands in the US and UK**
- **Acceleration of international roll-out of our beverages brands**
- **Major restructuring of our French beverages business with San Benedetto joint venture**
- **Sale of Coca-Cola & Schweppes Beverages for £623 million completed in February 1997**

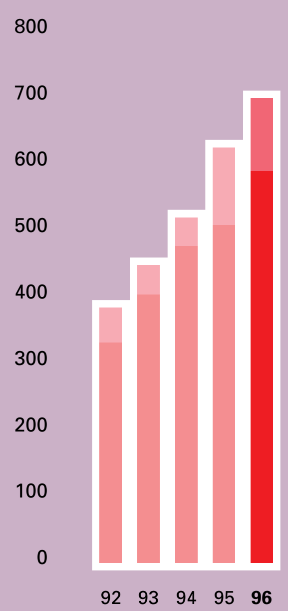
Confectionery Stream

- **Strong growth in many markets after a difficult 1995**
- **Substantial increases in sales and profits in Canada following acquisitions of Allan Candy and Neilson Cadbury**
- **World class chocolate confectionery manufacturing facilities established in Russia and China**
- **Cadbury Poland trading profitably in only its second full year of operation**
- **Craven Keiller acquisition strengthens our leadership position in UK sugar confectionery**

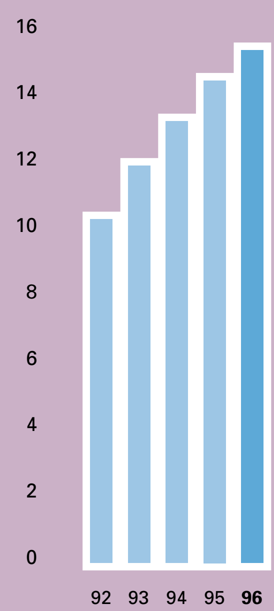
	1996	1995	% Increase
Sales	**£5,115m**	£4,776m	7.1
Trading profit	**£671m**	£600m	11.8
Trading margin*	**13.9%**	13.6%	0.3
Profit before tax and disposals	**£592m**	£512m	15.6
Earnings per Ordinary Share (FRS 3)	**34.1p**	31.3p	8.9
Underlying Earnings per Ordinary Share	**34.1p**	29.9p	14.0
Net Dividend per Ordinary Share	**17.0p**	16.0p	6.3
Capital expenditure	**£249m**	£238m	4.6
Marketing expenditure	**£738m**	£681m	8.4
Underlying free cash flow	**£137m**	£100m	37.0
Total Group employees	**42,911**	41,789	2.7

*Excluding restructuring costs

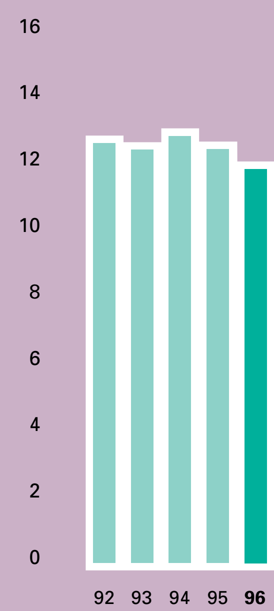
Profit
£m
Profit before tax and disposals
Operating profit



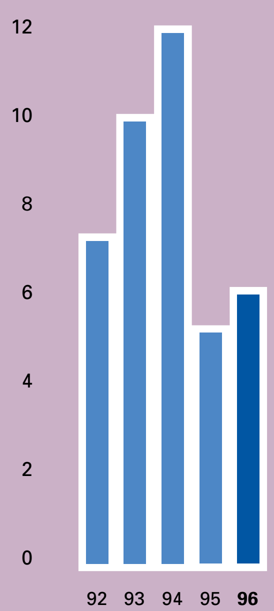
Trading margin*
Beverages Stream
per cent



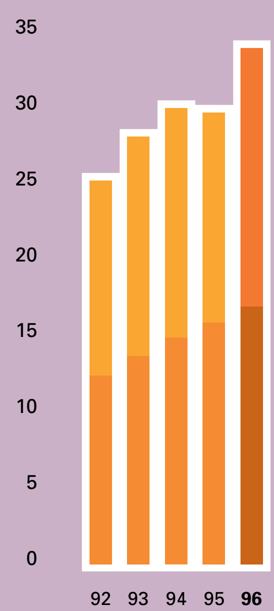
Trading margin*
Confectionery Stream
per cent



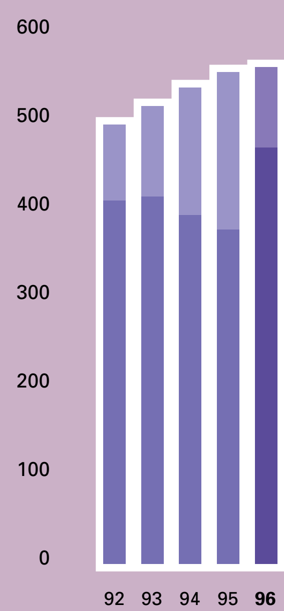
Interest charge cover
times



Underlying Earnings per Ordinary Share†
Dividends per Ordinary Share
pence
Earnings
Dividends



Share price
Annual high and low prices per Ordinary Share
pence



*Excluding major restructuring costs
†Excluding gains and losses on disposals of subsidiaries

Chairman's Statement

In 1996, turnover at over £5.1 billion increased by 7% and profit before tax and disposals of £592 million was 16% higher. Underlying earnings per share at 34.1p show an increase of 4.2p, up 14%. The Board is recommending a final dividend of 11.8p giving a total of 17.0p per Ordinary Share for the full year, 6% over 1995.

Dominic Cadbury Chairman

1996 was a successful and important year reflected in record financial results, significant strategic developments and the appointment of a new Executive Board team. Our established businesses forged ahead and in many cases increased share of their markets. Our recent investments and expansions made significant contributions to Group results in North America, Eastern Europe, Africa and India. We have successfully established confectionery operations in Russia and China and, while these represent investments in the future, they are important in developing a credible global strategy.

We completed the sale of our 51% interest in CCSB in February 1997 and this transaction frees up management and cash resources to focus on the priority of managing and growing our own brands. Since 1987 CCSB has transformed the UK beverages market as well as delivering outstanding financial results and I would like to congratulate and thank all those who have played a part. We look forward to working with CCE, the new owners, in our capacity as a long term brand licensor to their businesses in both the UK and North America.

We made two acquisitions during the year. In January Neilson Cadbury brought us market leadership in chocolate confectionery in Canada and in May Craven Keiller reinforced Trebor Bassett's leadership of the UK sugar confectionery market. I welcome their employees to the Cadbury Schweppes Group.

Our strong cash flow enabled us to cover all our distributions and the two acquisitions in 1996 from within our own resources and at the same time reduce borrowings compared with last year.

Corporate Responsibility

We describe our Group-wide activities in the areas of corporate governance and citizenship in separate sections of this Annual Report. Cadbury Schweppes has been awarded Investor in People ("IIP") recognition for its UK headquarters in addition to IIP recognition for many of our operations. It is relatively rare for a UK multi-national headquarters to achieve IIP status and reflects our determination that every employee in the Cadbury Schweppes Group will have a career plan and the opportunity to acquire the qualifications to achieve their personal ambitions and potential.

In the UK, in conjunction with Business in the Community ("BITC"), we have provided leadership to the development and understanding of Cause Related Marketing ("CRM") activities. CRM links companies' promotional programmes with charitable causes for mutual benefit and in this way enables marketing activities and investment to benefit directly the needs of the community. Our leadership of the initiative is helping BITC to be the acknowledged centre of excellence in this field.

Whether we are supporting schools in areas where we are locating in developing markets, such as India and Poland, or being actively involved in educational business partnerships and CRM in the UK, we focus our community support on areas where we can bring relevant experience and resources in addition to financial support.

Camelot

As a shareholder in Camelot, we have been delighted that it has established the UK's National Lottery as the most successful in the world. Camelot has raised £4 billion for good causes and the government, since the Lottery began in November 1994, while operating on a profit margin of less than 1%.

The Board

The Board has experienced considerable change with the retirements, in 1996, of David Wellings, Karl von der Heyden, Frank Swan and Dick Stradwick. Early in 1997, Derek Williams, who had led the CCSB team with distinction, resigned when we sold our 51% interest in CCSB. At the time of the AGM this year, Gordon Waddell and Anna Vinton will retire as Non-Executive Directors. Board succession is a key factor in the progress of any company and in maintaining fresh direction over a company's affairs. In their different roles and responsibilities my retiring colleagues have made vital and valuable contributions to the Group's progress in recent years. I am delighted that the strength and experience of our management has enabled the retiring Executive Directors to be replaced from within our own ranks. John Sunderland, who has so successfully run the Confectionery Stream in recent years, has been appointed Chief Executive while John Brock, Ian Johnston and Bob Stack take over the key responsibilities of Beverages, Confectionery and Human Resources. Together with David Kappler as Finance Director this team has the skills and experience to lead us into the next millennium. I warmly welcome Baroness Wilcox as a new Non-Executive Director.

The Future

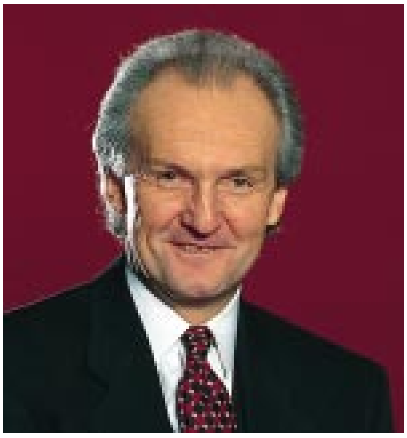
The global opportunities in our core markets of beverages and confectionery continue to offer exciting growth potential. We respect the skill and size of our competitors but Cadbury Schweppes has the resources, the skills and above all the people to compete effectively. 1996 was evidence of that and on behalf of shareholders I thank everyone who made it another year of record results.

At this early stage of the year we are confident of further growth and success in 1997 despite the impact of the stronger pound.

Dominic Cadbury

Dominic Cadbury
Chairman

Good financial results were achieved in 1996 with growth derived from both business streams. These results were achieved against the usual backcloth of strong global competition and yet again demonstrated the underlying quality of our key assets – our brands, our technologies and our employees.



John Sunderland Group Chief Executive

Most of our major business units have delivered robust performances in 1996. This demonstrates their management's ability to deliver shareholder value from the Group's brands and other assets within their charge.

In beverages the absorption of Dr Pepper/Seven Up has continued throughout the year with further realignment to come in 1997 as we move our North American carbonates head office functions to Dallas, thereby completing the unification of our US carbonated beverages operation. Trading in a tough, competitive environment in North America has been satisfactory. Dr Pepper has continued to outpace the market; 7 UP has withstood intense competition and is stabilising its position. A new long term agreement with one of our major bottling partners in the US and continued co-operation with the independent bottling system, have further secured the route to market for our portfolio of brands in the US and Canada.

We have also been able to start the international roll-out of the Dr Pepper brand in markets such as Australia, Mexico and Russia, with encouraging early results.

Elsewhere, cooler summers (Northern Europe and Australia) and recession (Mexico) have presented difficult challenges.

The Confectionery stream has recovered strongly after the hot summer's adverse impact in 1995. Many of our larger businesses – for example Cadbury Ltd and Trebor Bassett Ltd in the UK, Cadbury France and Trebor Allan in Canada – have strengthened their market positions. In the fast developing economies of India and South Africa, long established markets for us, we have been able to take advantage of dramatic market growth. Progress in all these areas has allowed the Confectionery stream to absorb greater than expected start-up costs in our greenfield operations, in markets such as Russia and China.

The latter are bold ventures, and we remain fully committed to them. We now have world class manufacturing facilities established in these countries and developing route to market infrastructures. All that remains is development of volume growth, and here we take great encouragement from the example of Cadbury Poland, which is showing rapidly increasing sales and traded profitably in only its second full year of operation.

Cadbury Schweppes is a global business with over two-thirds of our profits now earned outside the UK. Our progress has enabled the Group to surpass previous levels of performance across a broad spectrum of measures – sales, income, profit margins and earnings per share.

Acquisitions and Disposals

Our major strategic decision in 1996 was to accept an offer from Coca-Cola Enterprises Inc. (“CCE”) for our interest in Coca-Cola & Schweppes Beverages Ltd, the licensee of our beverages brands in Great Britain. CCSB has been an outstanding performer over the past decade and 1996 was another good year. However the combination of an attractive financial offer and the opportunity to resolve the longer term route to market for our beverages brands was persuasive. The sale was deferred when the transaction received extended scrutiny by the European Commission’s competition authorities, but was eventually completed in February 1997. The new agreement with CCE has also strengthened the position of our beverages brands in Great Britain by securing their route to market for the next 15 years.

Both of our business streams continue to seek opportunities which strengthen current market positions or allow us to achieve viable positions in new markets. To this end we acquired the Craven Keiller confectionery business, which has been absorbed into our Trebor Bassett sugar confectionery organisation in the UK. Following the acquisition of Allan Candy and Neilson Cadbury we now have leadership of the total confectionery market in Canada.

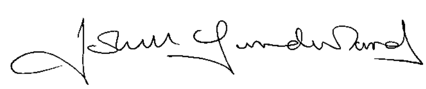
Brands

The financial achievements in 1996 have been made whilst we also increased our investment in marketing. The healthy margins we earn are a source of funding that animate our brands’ future success. Our brands are our most valuable asset and we fully accept the responsibility to ensure that the enjoyment of, and loyalty to, our brands by consumers around the world are continuously enhanced. Part of that process in 1997 will see the roll-out of the Cadbury “Masterbrand” marketing campaign for Cadbury’s chocolate and further geographical extension of Dr Pepper, Schweppes and Crush in the Beverages stream. Our brands are now available in some 200 markets around the world.

Innovation is also a key element in our continued drive to seek profitable growth in both our business streams. Our track record in brand innovation, as exemplified by beverage brand developments such as Oasis and the launch of Cadbury confectionery brands like WispaGold and Fuse in the UK, Perk in India and Astros in South Africa, is a significant source of competitive advantage.

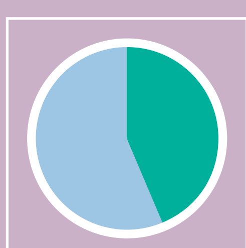
The Future

We ended 1996 with the key financial parameters of our business looking robust. All our managers share a driving imperative to deliver superior performance and to enhance shareholder value throughout the Group and we look forward with confidence to the new challenges which 1997 will bring.

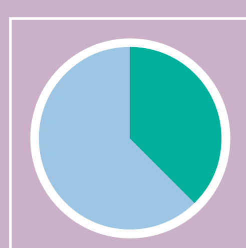


John Sunderland
Group Chief Executive

Stream Sales and Trading profit	Beverages Stream £m	Confectionery Stream £m
Sales	2,875	2,240
Trading profit*	445	267



Sales
£5,115m



Trading profit*
£712m

*Excluding major restructuring costs

The Business of Cadbury Schweppes

Cadbury Schweppes' business is to provide pleasure, taste and enjoyment through the manufacture and marketing of a wide range of beverage and confectionery brands sold in the impulse, grocery and other channels of distribution to consumers of all ages.

Beverages Business

Cadbury Schweppes, currently No 3 in global soft drinks, licenses its brands to bottling partners in 92 countries around the world and has its own or joint venture bottling operations in a further 14 countries. Key global brands are Schweppes, Dr Pepper and Crush. Important regional and local brands include Canada Dry, A&W, Squirt, Oasis, the Peñafiel range of mineral waters in Mexico and, in the US and Puerto Rico only, 7 UP. The Mott's apple brands, Clamato juices and a variety of speciality products are manufactured for the North American market and for export. The brand range also includes Solo, Sport Plus 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.

Cadbury Schweppes' beverages brands are sold in a variety of packaging formats to meet consumers' requirements for variety, availability and acceptability. Products are sold through the Group's or third party bottlers' sales forces and, in the case of Mott's products in the US, through independent brokers. Beverages products are sold through many different outlets from licensed and grocery stores, garages and convenience shops to vending, leisure, food and entertainment venues.

Soft drinks sales volumes can be affected by weather and to some extent are seasonal, peaking in the summer months in many countries and on festive holiday occasions such as New Year, Thanksgiving and Christmas.

Confectionery Business

Cadbury Schweppes is the world's fourth biggest supplier of chocolate and sugar confectionery. The Group markets a mix of global, regional and local brands and has manufacturing plants in 25 countries and sales in a further 165. The Cadbury "Masterbrand" is one of the best known names in chocolate confectionery and famous brands in sugar confectionery include Trebor and Bassett.

Chocolate confectionery is sold internationally under the Cadbury name and includes power brands such as Cadbury's Dairy Milk, Cadbury's TimeOut, Picnic and Roses. Other important regional brands include Poulain and Bouquet d'Or in France, Piasten in Germany, MacRobertson in Australia and Neilson in Canada. In the US certain confectionery products under the Cadbury, Peter Paul and York brands are manufactured under licence.

Sugar confectionery is sold internationally under the Trebor, Bassett and Pascall brands and includes products such as Cadbury's Eclairs, Trebor Soft Mints, Bassett's Liquorice Allsorts and Bassett's Jelly Babies. Other important regional brands include Barratt, Maynards and Sharps in the UK, Stani in Argentina, Allan in Canada and Dulciora in Spain.

Confectionery products are sold in the form of bars, blocks, bags, rolls, boxed assortments, chocolate eggs and novelties and are distributed primarily through grocery stores, sweet shops, garage forecourts and kiosks.

The chocolate 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.

Cadbury Schweppes is a global business which manufactures, markets and distributes its branded products in over 200 countries. The Group employs over 42,000 people world-wide.

Strategy

The Group's strategy is to increase profitability, brand strength and volume on a global basis in its two business streams, beverages and confectionery, through a combination of internal growth including greenfield developments, targeted acquisitions and joint ventures where there are appropriate opportunities. Capital and marketing expenditure, £249 million and £738 million in 1996, are priorities to maintain and enhance the Group's position as a low cost producer and ensure the continuing strength and earnings potential of the Group's brands.

Structure

Since the mid 1980s the Group has been focused on its beverages and confectionery businesses, two closely related consumer markets, with a stream-based organisational structure managing the Group's brands on a global basis.

Both the Beverages and Confectionery streams manage their businesses around the world in operating divisions that cover the UK, Continental Europe and Ireland, the Americas, Australasia and the Pacific Rim, and Africa/ Western Asia.

In Great Britain, CCSB has bottled, canned and distributed Cadbury Schweppes' beverages brands alongside those of Coca-Cola and third parties since 1987. Cadbury Schweppes sold its 51% interest in CCSB on 10 February 1997 and entered into a new 15 year licensing agreement for the bottling and distribution of Cadbury Schweppes' beverages brands in Great Britain.

Acquisitions and Disposals

Acquisitions and disposals as well as capital investments have played an integral part in changing the composition of the Group since 1986. Key events include:

- 1986 Typhoo Tea, Kenco Coffee and Jeyes sold. Acquisition of Canada Dry and the rights to the Sunkist brand strengthened the Group's position in soft drinks.
- 1987 Coca-Cola & Schweppes Beverages joint venture created within Great Britain. Red Tulip confectionery brand acquired in Australia.
- 1988 US confectionery brands licensed in the US. Chocolat Poulain acquired in France.
- 1989 Acquisition of Crush International increased global carbonated soft drinks volume. Bassett and Trebor acquired in the UK and merged in 1990 as the first major development in sugar confectionery. In Spain, Chocolates Hueso and the TriNaranjus soft drinks brand acquired.
- 1990 Oasis soft drinks brand acquired in France.
- 1992 Acquisition of Aguas Minerales brought lead position in mineral water in Mexico. Acquisition of a 70% interest in Piasten in German confectionery market.
- 1993 Acquisition of A&W Brands in the US added leadership in key soft drinks sectors. Confectionery developments included acquisition of an 80% interest in Stani in Argentina and plans to build greenfield factories in China and Poland.
- 1994 European confectionery strengthened with acquisitions of Bouquet d'Or in France and Dulciora in Spain.
- 1995 Acquisition of Dr Pepper/Seven-Up in the US was a major strategic milestone. Allan Candy sugar confectionery acquired in Canada and merged with existing Trebor operations. Plans to build a chocolate confectionery plant in Russia announced. ITnet, the Group's computer services subsidiary, was sold.
- 1996 Acquisition of Neilson Cadbury in Canada combined with Trebor Allan brought leadership in the world's eleventh largest confectionery market. In the UK Craven Keiller acquired to develop Trebor Bassett's position.
- 1997 Group's 51% interest in Coca-Cola & Schweppes Beverages sold. Bim Bim, Egypt's leading confectionery company, acquired.

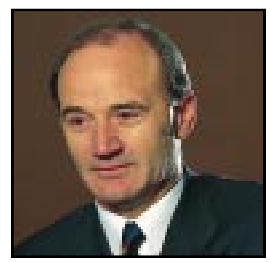
LEMON TWIST
SPORTS DRINK
Energade
A&W
Root Beer
7UP
Schweppes
Indian
TONIC WATER
MOTT'S
CANADA DRY
Diet Dr Pepper
Dr Pepper
Diet Crush orange
THE GENUINE Sunkist ORANGE
Vibe
Oasis
Schweppes
300 ml
Oasis
Revitaliser
NATURALLY STILL ENERGY
DRINK WITH SPRING WATER
AND REAL FRUIT

Beverages Stream Review

Key Developments

- Solid growth in sales and profits continues for Dr Pepper/Seven Up, acquired in March 1995.
- International roll-out of our global brands accelerated – Dr Pepper in Australia, Mexico and Russia; Schweppes in Argentina, Brazil and the Czech Republic; and Crush in India, Russia and Zambia.
- Profit growth enhanced by cost reductions achieved from business restructuring programmes in France and Spain and integration of soft drinks operations in the US.
- Sale of Coca-Cola & Schweppes Beverages completed in February 1997 for £623 million, including an improved licensing agreement for our brands in Great Britain.

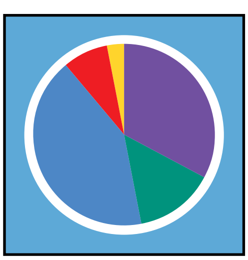
John Brock
Managing Director,
Beverages Stream



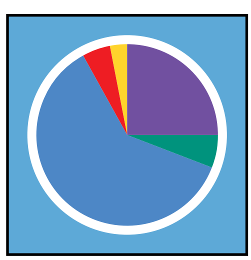
Derek Williams
Managing Director,
Coca-Cola & Schweppes
Beverages

	1996 £m	1995 £m	
Sales	**2,875**	2,809	+2%
Trading profit*	**445**	409	+9%

Our aim is to strengthen our soft drinks position world-wide and to be the largest and most successful non-cola brand owner.



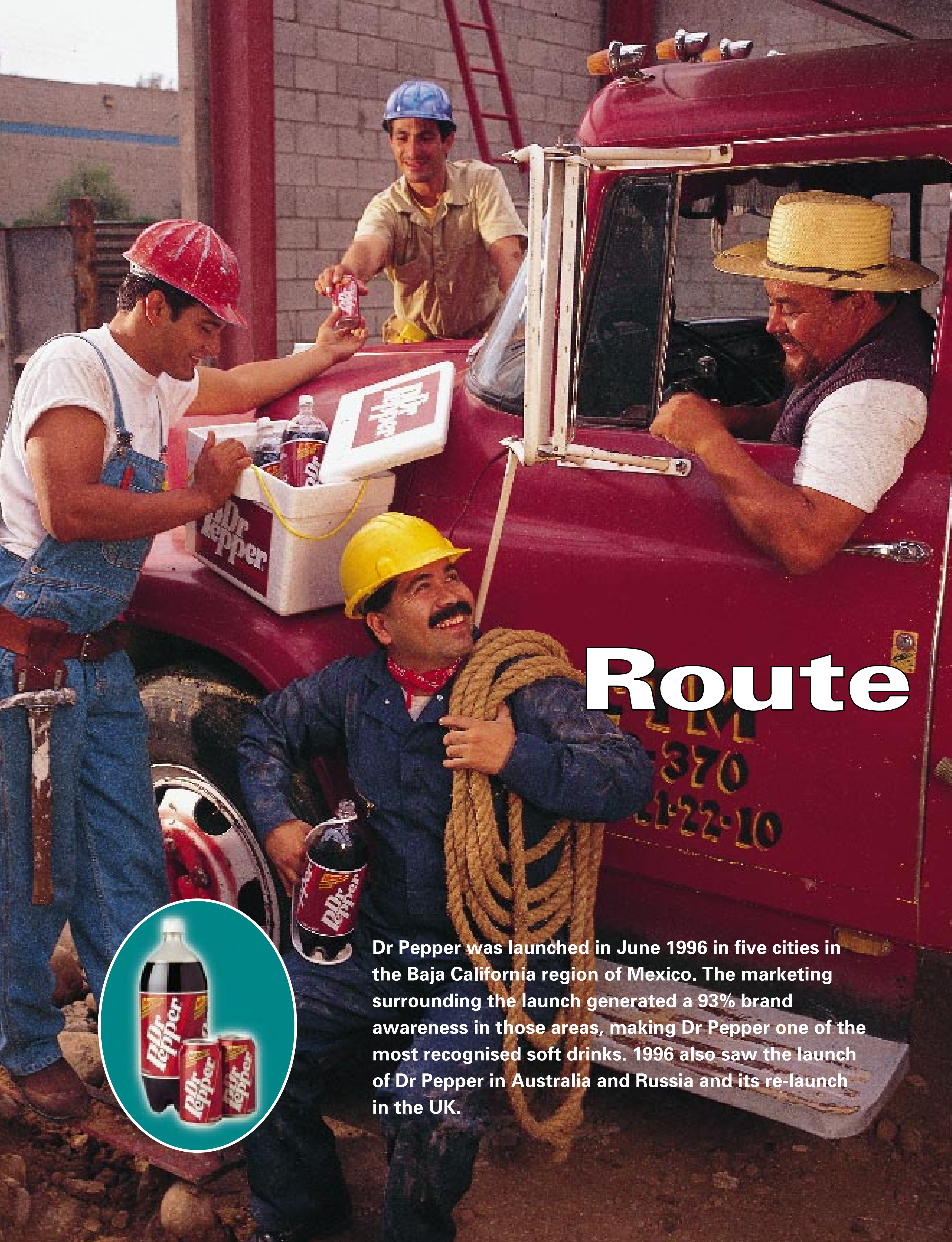
Sales
£2,875m



Trading profit*
£445m

UK Europe Americas Pacific Rim Africa & Others

*Excluding major restructuring costs



Route

Dr Pepper was launched in June 1996 in five cities in the Baja California region of Mexico. The marketing surrounding the launch generated a 93% brand awareness in those areas, making Dr Pepper one of the most recognised soft drinks. 1996 also saw the launch of Dr Pepper in Australia and Russia and its re-launch in the UK.

Beverages Stream Review
continued

Following the acquisition of Dr Pepper/Seven-Up in 1995, Cadbury Schweppes has begun to launch Dr Pepper internationally. Mexico, the second largest soft drinks market in the world with over 12 billion litres consumed per annum, is one of the first countries into which roll-out has commenced.

In 1992 Cadbury Schweppes extended its soft drinks market presence in Mexico and added significantly to its sales and distribution structure with the acquisition of Aguas Minerales, Mexico's leading mineral water bottler and distributor. With plants in five locations, distribution strength is key to ensuring wide brand availability for consumers.

With the development of the Mexican economy, a total population of around 100 million and the promotion of free trade through the impact of NAFTA, the Baja California region was selected for initial distribution of Dr Pepper. The region is close to the American border and its population has similar tastes. Dr Pepper already had 41% brand awareness before the launch in June 1996.

to market

1 Retailers responded well to the introduction of Dr Pepper. Sales teams began training in January to prepare for the launch in June.

2 Dr Pepper is produced at the company's Tecate plant in the Baja California region.

3 TV advertising schedules were brought forward and extended in response to the sales team's successes in stimulating demand for Dr Pepper. Boldly branded trucks reinforce product awareness.

4 Our storage capacity is 163,000 cases. In the first month of the Dr Pepper launch 25,000 cases were sold, almost triple the sales objective.

5 In Baja California Dr Pepper is sold in 6,600 "mom-n-pop" stores as well as supermarkets, restaurants and vending machines.

United Kingdom

Great Britain

Coca-Cola & Schweppes Beverages ("CCSB")

CCSB trading profits were slightly ahead of last year, in spite of lower volumes following an exceptionally long and hot summer in 1995. Market share grew in the important grocery sector, where own label shares continue to fall. Higher marketing and indirect costs were more than offset by the improved margin from increased sales prices and mix.

The sale of CCSB for £623 million was completed in February 1997 following approval by the European Commission. A 15 year licensing agreement for our brands has been signed which has an automatic extension for 10 further years unless appropriate notice is given. Performance criteria and continuing marketing support levels have been agreed for our key brands, including Schweppes and Dr Pepper.

Continental Europe

The French manufacturing and distribution joint venture with San Benedetto, the Italian producer of mineral water and soft drinks, was entered into in March 1996. We are currently upgrading the existing factory at Chateauneuf de Gadagne and planning to build a new factory at Donnery in the Orléans region, which should be completed in early 1998. Excluding restructuring costs, France recorded a solid profit performance, enhanced by cost savings from the new joint venture. Sales volumes were held back by the lowest total market growth in 5 years, increased competition, high unemployment and cooler summer weather, although Oasis has obtained the second highest market share in the French soft drinks market.

Good profits in Spain were achieved largely from the full year benefit of recent restructuring programmes, with cost savings and improved margins more than offsetting the effect of lower sales volumes in a reduced total market.

Sales volumes in Portugal were disappointing. Own label increased market share. New product launches did not meet expectations and adversely impacted profits.

Strong sales volumes in Italy were helped by the full year effect of the successful launch of the sports drink, Energade.

Sales were disappointing in Germany owing to increased competition and lower consumer demand. In July we announced the termination of our existing joint venture in 1998 and future arrangements are currently being reviewed.

Strong volume growth in Eastern Europe was driven by successful product launches of Dr Pepper in Russia, Schweppes Tonic Water in the Czech Republic, the Schweppes range in Romania and Schweppes Lemonade in Turkey.

Americas

North America

The results for 1996 include a full year for Dr Pepper/Seven Up ("DPSU"), compared to ten months for 1995, as the acquisition was effective in March 1995. Total US volume was in line with 1995 on a 12 months basis. The Dr Pepper brand grew market share again in 1996, although its strong performance was offset by the loss of sales of some flavour brands on the transfer from one bottler to another.

The 7 UP brand began its revitalisation with new packaging design and advertising. As a result of intense competition by 7 UP's major competitor and weaknesses in some key bottlers, 7 UP volume declined marginally in 1996, but this arrested the trend of more substantial declines in prior years.

Schweppes, Canada Dry, A&W Root Beer, Squirt, Welch's Grape Soda and Sunkist continue to be leading brands in each of their respective categories.

A good profit performance in the US was helped by continuing cost savings identified as part of the integration plan following the DPSU acquisition. Further cost savings will be achieved following consolidation of the US carbonated beverages headquarters into a new facility in Plano, Texas, expected to be completed in 1998.

Good volume and profit increases for Mott's were helped by the roll-out of Mott's-In-A-Minute shelf stable concentrated juice in the US and by market share gains of Mott's Apple Juice in the US and Clamato in Canada.

Mexico and Central/South America

Local currency profits were up substantially in Mexico despite a volatile economy and poor industry conditions. Sterling profits were similar to those for 1995 after accounting for adverse exchange movements. The mid-year launch of Dr Pepper in the Baja California region was well received by both the trade and consumers, with encouraging repeat purchases.

Sales in Central and South America grew, led by strong volume increases in Chile (Canada Dry and Crush) and Puerto Rico (7 UP), which more than offset declines in Argentina, Brazil and Guatemala. Schweppes products (Citrus and Tonic Water) were launched in Buenos Aires, Argentina and Schweppes adult flavours were also launched in both Rio de Janeiro and Sao Paulo, Brazil.

Pacific Rim

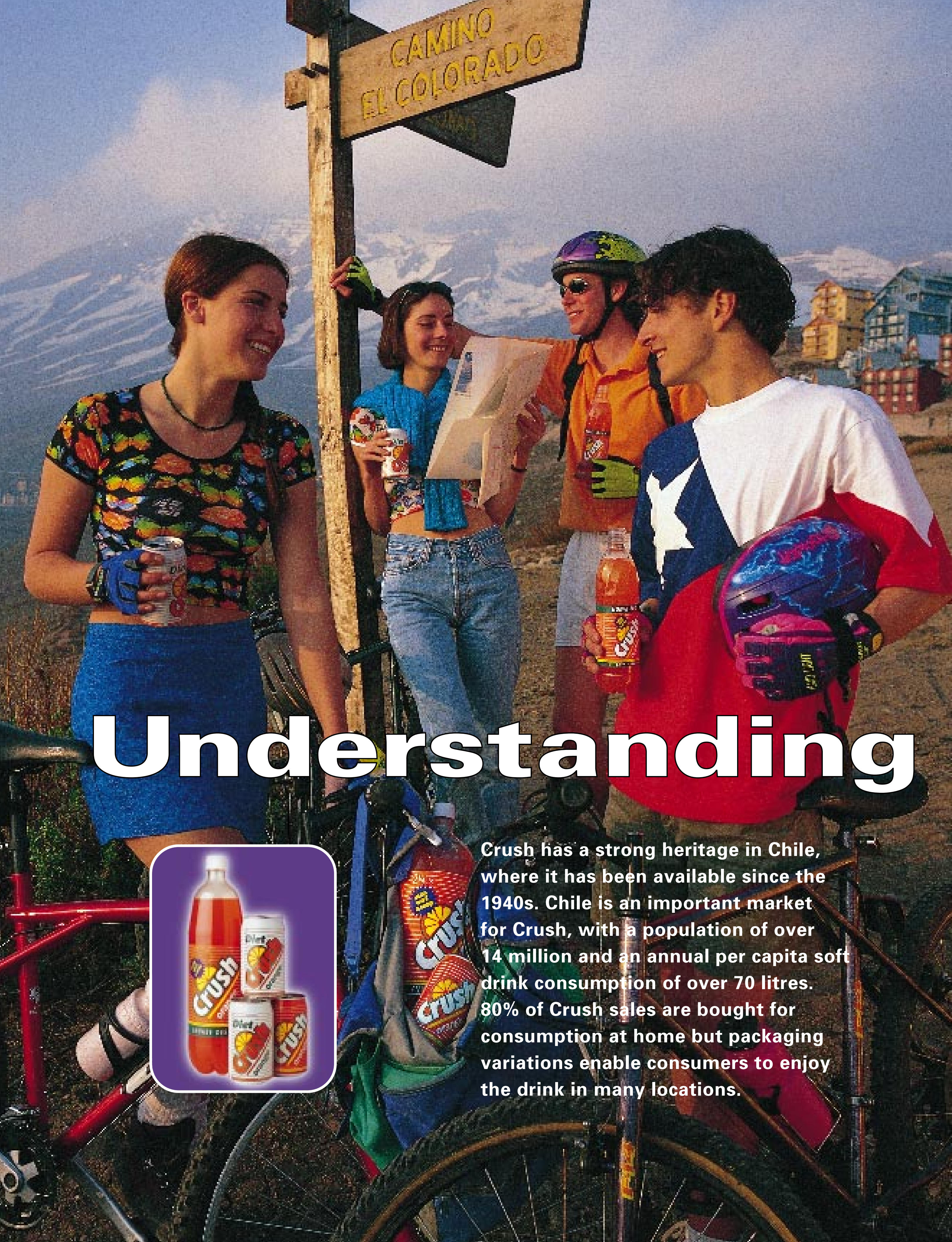
In Australia, soft drink volumes were adversely affected by poor summer weather and aggressive competitor pricing, particularly in the grocery channel. Cottee's volumes were ahead of last year, helped mainly by jams and cordials, where highly successful promotional and marketing programmes grew market shares after several years of decline. The Schweppes traditional range, launched in 1995, continued to do well. Dr Pepper was launched in 1996 and by January 1997 distribution had reached 80% of the total Australian population. Strong profits were helped by lower indirect costs, following restructuring of the sales force in 1995.

Large sales increases were achieved in Indonesia (Crush and A&W), as well as in the Pacific Islands and New Zealand (Traditional Lemonade).

Africa and Others

In South Africa, sound marketing programmes and the roll-out of new packages helped to grow Schweppes' volumes well ahead of the market and consequently market share grew. Bromor's volumes were affected by high net sales price increases which helped improve margins. Strong sales increases were achieved by the sports drink Energade.

Elsewhere in Africa, the total volume increase was helped by good results from Zambia and Zimbabwe. In the Middle East, Schweppes volumes grew in Egypt under new licensing agreements. With the launch of Crush in Calcutta in October, Schweppes, Crush and Canada Dry are now marketed by eleven bottlers in India.



Understanding

Crush has a strong heritage in Chile, where it has been available since the 1940s. Chile is an important market for Crush, with a population of over 14 million and an annual per capita soft drink consumption of over 70 litres. 80% of Crush sales are bought for consumption at home but packaging variations enable consumers to enjoy the drink in many locations.

Beverages Stream Review
continued

Crush has a 35% share of the orange soft drinks segment in Chile. Since 1994 it has been produced by a new bottling company which handles almost a third of the market's volume. Cadbury Schweppes acquired the Crush brand in 1989. Since then the Group has developed an international marketing strategy and created TV advertising that can be tailored for regional markets and consumers.

In Chile the brand is targeted at teenagers and, to tie in with the re-launch of Crush with Orange Juice Content and the launch of Diet Crush with Orange Juice, Cadbury Beverages in Chile developed a strong marketing campaign for 1996.

The brand's marketing budget in Chile is focused on media activity and promotions. Beach activities, including music, games and product tasting at the country's main resorts, took place in the early months of the year, followed by on-pack promotions and intensive sampling activity.

1 The Diet Crush launch involved intensive sampling activity. 400,000 consumers in three cities, accounting for 75% of category sales, sampled it in September 1996 alone.

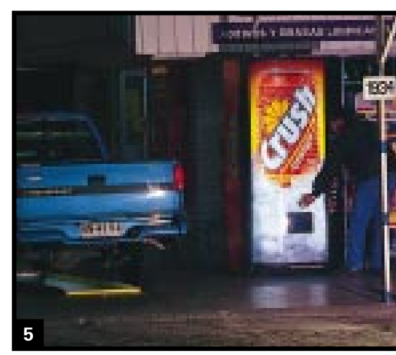
2 New TV advertising for Crush was developed by the Group. Chile began airing an adapted version in October 1996.

3 On-pack supermarket promotions with our South American confectionery products – Cadbury chocolate and Beldent gum – ran in August 1996.

4 Bold outside advertising is located next to major highways, such as those in Santiago, to maximise advertising impact and reach.

5 Around 70 vending machines with the Crush logo and 800 new Crush coolers have been installed in the last two years.

our markets



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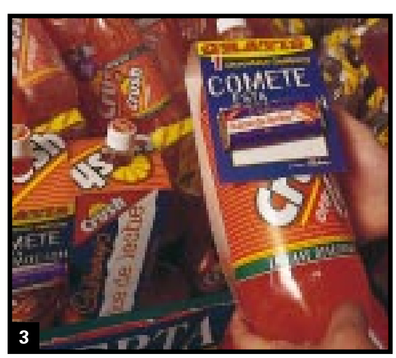

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4


Cadbury's
DARKNESS
1848
The Original Allsorts
Bassett's
LIQUORICE
ALLSORTS
Picnic
Fuse
Crunchie
Cadbury's
Eclairs
Piasten
Extra Viel
WINE GUMS
CARAMILK
holey moleys
Cadbury's
Roses
Bassett's
Jelly Babies
Cadbury's
DAIRY MILK
Flake
tokke
NUEVO
POCKET PACK
Cadbury's
DAIRY MILK
TimeOut
ARTIFICIALLY FLAVOURED
D'AROMES ARTIFICIELS
allan
Wispa Gold
Low Fat
Faible en gras
STAR
100g
Cadbury's
DAIRY MILK
ASTRO'S
Cadbury's
GEMS
Cadbury's
Twirl
Allora
from Cadbury
BUTTERMINT
TREBOR
Softmints
HAZEL NUT
TREBOR
Softmints
FRUIT & NUT

Confectionery Stream Review

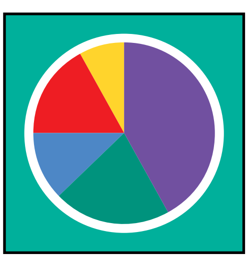
Key Developments

- Solid growth in sales, profits and cash flow in most established and developing markets.
- Continued investment in "greenfield" markets including performance improvements in the factory in China and the commencement of production in Russia. Cadbury Poland trades profitably in only its second full year of operation.
- Recent acquisitions in Canada (Allan Candy and Neilson Cadbury) have added substantially to the stream's business base and realised overall leadership of this important market.
- In the UK the Craven Keiller acquisition strengthens the leadership position in sugar confectionery.
- Many new products were successfully launched. Cadbury's TimeOut is now a leading product internationally.
- Market share gains made in many markets, most notably UK, South Africa, France, Canada and Ireland.
- Capital investment continues to meet the increasing market demand for Cadbury brands in growth markets such as India and South Africa.

Ian Johnston
Managing Director,
Confectionery Stream

	1996 £m	1995 £m	
Sales	**2,240**	1,967	+14%
Trading profit*	**267**	240	+11%

Our chocolate and sugar confectionery strategy is based on building viable positions in prioritised markets through organic growth and acquisitions.



Sales
£2,240m

Trading profit*
£267m

UK Europe Americas Pacific Rim Africa & Others

*Excluding major restructuring costs

Product

Recent years have seen growth in snacking outpacing the growth in total food expenditure. This has been fuelled by changing consumer lifestyles. With increased pressure on time and more leisure activities, snacking "on the go" is becoming a way of life in the 1990s, particularly among the 16-34 age group. Snacking was therefore identified by Cadbury Ltd as an area for innovation.

innovation

Innovation is the lifeblood of the UK confectionery market where consumers love to try new products. Cadbury Ltd has been at the forefront of successful chocolate innovation in recent years with launches such as Cadbury's TimeOut, Cadbury's WispaGold and, most recently, Cadbury's Fuse. The challenge in this intensely competitive market is to continue to develop unique new brands with the potential to grow chocolate confectionery sales.

Cadbury's Fuse is the result of over five years' development and extensive market research. Since its launch on 24 September 1996, it has proved a tremendous success. Over 40 million bars were delivered to the trade within the first week of launch, achieving 75% national distribution within three days. In its first four weeks Cadbury's Fuse became the nation's favourite bar, taking Cadbury to the No 1 position in the countline market and capturing an astonishing 6.5% of all countline sales.

1 The secret of the Fuse recipe is that it uses Cadbury's chocolate as the main ingredient, fusing together a mixture of favourite snacking ingredients.

2 Cadbury Ltd invested over £6 million in a new manufacturing plant for Fuse.

3 On Tuesday 24 September 1996 – "Fuseday" – Cadbury's Fuse was available for the first time to consumers throughout the UK. A massive PR campaign ensured it was the most talked about and tasted chocolate bar on the market.

4 Colourful instore displays played a key role in exciting consumers to try Fuse. 40% of the UK population claimed to have tried it within three months of the launch.

5 Within one month of the start of TV advertising, 74% of the UK population had heard of Cadbury's Fuse.

United Kingdom

Cadbury Ltd

Cadbury Ltd is the leading chocolate confectionery company in the UK and in 1996 grew market share for the third successive year, the first time this has been achieved since 1957.

Contributing to the excellent volume growth were the first full year of Cadbury's WispaGold and the successful launch of Cadbury's Fuse. Other marketing initiatives included the introduction of new advertising to support the Cadbury brand, new Roses advertising and the well publicised sponsorship of Coronation Street, a UK television programme.

Factories and distribution depots operated at high levels of utilisation and efficiency and good progress was made in managing costs.

Cadbury World, the Bournville-based theme park and tourist attraction, again set new records for attendance with over 500,000 visitors enjoying an insight into how chocolate is manufactured and the history of Cadbury products.

Trebor Bassett Ltd

Trebor Bassett, the market leader in sugar confectionery in the UK, achieved its highest domestic sales since the Trebor and Bassett businesses were combined in 1990 and further increased its market share. Despite intense competition, particularly from own label, Trebor Bassett grew its branded range, driven by a number of successful commercial initiatives, including the award-winning campaign to re-launch Bassett's Liquorice Allsorts. The change in sales mix led to a small decrease in profit margins, although these remain well above average for a sugar confectionery business.

Craven Keiller was acquired during the year and integration has proceeded on target and to budget. This acquisition has enhanced the Trebor Bassett sugar confectionery range and provides further opportunity in the developing popcorn market.

Europe

Ireland

Sales volumes grew to a new record and leadership positions in both chocolate and sugar confectionery have been enhanced. The production capacity for Cadbury's TimeOut has been expanded to support higher levels of export with further launches planned for the first half of 1997.

Continental Europe

Strong sales in moulded products gained market share in France, led by the first full year of the premium "1848" range and the successful launch of the "Blocs Gourmands" range. Sales of Drinking Chocolate and Chocolate Spread were less satisfactory, although innovative new programmes have been prepared for 1997. Capital investment in the Lille factory helped improve the supply of seasonal boxed chocolates for Christmas 1996 and this gives encouragement for 1997. Cadbury France also benefited from export sales to Eastern Europe.

In Germany a strong profit performance was achieved by Piasten with its highly efficient Forchheim factory operating at almost full capacity to service both the domestic and export markets.

Sales increases in Spain were driven by the successful re-launch of Huesitos and Tokke with Cadbury's chocolate and branding. Sales of Respiral increased and leadership in the semi-medicated sweets sector was maintained. The Ateca factory achieved ISO 9002 quality accreditation.

The Polish market is quickly becoming very sophisticated and, in recognition of this potential, there is intense competition from many local and foreign manufacturers of both chocolate and sugar products. In spite of this, sales volumes have nearly doubled in Poland and, consequently, the company achieved profit in only its second full year of operation. The product range in Poland includes Cadbury moulded bars, countlines and the particularly successful Cadbury's Eclairs.

Construction was completed and production started at the new factory in Russia, located at Chudovo, with the support of local and national government agencies. Products became available prior to the year end. The range of brands includes Cadbury's Dairy Milk, Fruit & Nut, Wispa and Picnic. With this world class manufacturing facility supporting a determined effort to develop an effective route to market infrastructure, the business is poised to increase supply to the large domestic Russian market and other members of the Commonwealth of Independent States.

Americas

Trebor Allan in Canada, in its first full year as a combined business within the Group, achieved strong sales and profit growth beyond expectations. The company manufactures a wide range of quality sugar confectionery products and plans are being developed to increase exports into nearby markets. The company also has excellent manufacturing facilities and the Granby factory achieved ISO 9002 quality accreditation, the first for any sugar confectionery factory in North America.

The Neilson Cadbury confectionery operations, now known as Cadbury Chocolate Canada Inc., were acquired at the beginning of the year. Profits were in line with expectations and synergies are being developed in conjunction with Trebor Allan and other units in the stream. The range includes key brands such as Mr Big and Cadbury's Crunchie and future plans involve maximising seasonal business opportunities, such as increased support for Cadbury's Creme Egg products.

The Latin American recession continued to disadvantage Argentina, although recently there have been grounds for greater optimism. In this environment, sales of chocolate confectionery products have not grown as quickly as planned. However, Cadbury's Twirl was launched early in the year and helped to grow share of the chocolate confectionery sector. The existing market share position in sugar/gum confectionery has been maintained. The business is well placed to capitalise on an improving domestic economy as well as exports into the expanding Mercosur group of countries.

In the US, chocolate is sold under licence agreements and this business showed further growth in 1996.

Pacific Rim

In Australia, the successful launch of Cadbury's Marble, the further development of Cadbury's TimeOut, plus extensions to Cadbury Australia's children's and seasonal ranges, all contributed to another record sales and profit performance.

Volume increases were also achieved in New Zealand for the moulded range, including the launch of Cadbury's Marble plus Fry's Turkish Delight, and extensions to the children's novelty range. The sales momentum of Cadbury's TimeOut continues following its successful launch in 1995.

The new factory in Beijing, China, is the focal point for Cadbury brand development in this market and locally manufactured products are now on sale through ten major regional sales centres between Harbin in the far north and Guangzhou in the south. During the year, over 250 local employees have been recruited and trained throughout this new business.

Cadbury's TimeOut was launched successfully in Hong Kong, Malaysia and Singapore. The new sales joint venture in Hong Kong is progressing well with volume and profit exceeding expectations.

Africa and Others

Excellent profit and volume increases were achieved in South Africa, including the launch of Holey Moleys to support the 1995 success of Astros. These innovations and strong results from moulded chocolate helped Cadbury achieve leadership of the chocolate confectionery market and share was also gained in the sugar sector. Investment for the long term continues, including the renewal and modernisation of manufacturing facilities so that, as volume grows, operating costs are reduced which will, in turn, fuel further volume growth. The Mayfair factory in Johannesburg achieved ISO 9002 quality accreditation, the first for a confectionery factory in South Africa.

Strong profit and volume increases were achieved in India, including further regional launches of the highly successful wafer product, Perk. Investment in award winning media programmes, plus new products such as Googly (a sugar confectionery line) and investment in the manufacturing facilities, helped promote and meet demand for Cadbury products in this important market. During the year, Cadbury India Ltd was voted the third most admired company in India by the Advertising and Marketing magazine.

Strong profit and sales growth were achieved in Pakistan, Ghana and Kenya. Cadbury Nigeria again performed well in difficult economic conditions, as did Zimbabwe, and both maintained leadership of their respective markets.

Cadbury Licence Agreements

Growth in royalty income continues through the use of the Cadbury brand name by third parties selling products under licence agreements. In particular, Cadbury cakes (Manor Bakeries) and Cadbury chilled desserts (St Ivel) increased sales in the UK during the year.

Cadbury Chocolate Canada's strong portfolio of Neilson and Cadbury brands includes seven of the top twenty Canadian chocolate bar brands – Caramilk, Mr Big, Wunderbar, Crispy Crunch, Caramilk Fudge and Choclairs, as well as Cadbury's Crunchie. Another key brand, Cadbury's TimeOut, will be launched in Spring 1997. To promote brand awareness in Canada, Crunchie sponsors the Toronto Blue Jays "Junior Jays" kids club and magazine reaching nearly 1.5 million young baseball fans.

Key

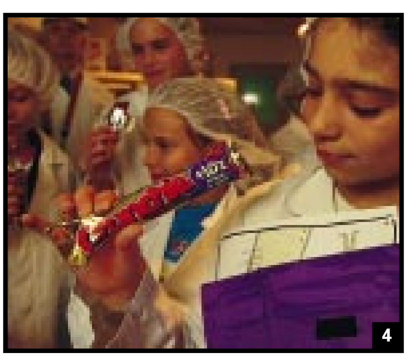
Confectionery Stream Review
continued

The Cadbury “Masterbrand” is the largest international confectionery brand in the world.

The Group is extending established brands globally under the Cadbury brand and is concentrating on a range of “key brands” such as Crunchie, first created in Britain in 1929. Available in Canada since 1959, Crunchie has, since January 1996, been produced by Cadbury Chocolate Canada in Toronto following Cadbury Schweppes’ acquisition of Neilson Cadbury.

Canada is the eleventh largest confectionery market in the world with a volume of 244,000 tonnes split equally between sugar and chocolate. The acquisition of Neilson Cadbury gave Cadbury Schweppes leadership in the chocolate segment of the market. Following the acquisition of the sugar confectionery company, Allan Candy, in June 1995 and its integration with the Group’s Canadian Trebor operations, Cadbury Schweppes has overall leadership in this market.

brands



1 Cadbury’s Crunchie is enjoyed by many consumers including 9-13 year olds. School factory visits are popular, with around 9,000 students touring our Toronto plant in 1996 to learn about chocolate manufacturing.

2 The school factory tours include product sampling. One million Crunchie bars were also sampled in support of a community police awareness initiative in schools across Canada in 1996.

3 School children learn the manufacturing stages involved in Crunchie’s production.

4 Research has revealed that Crunchie is one of the trendiest bars available. To maintain interest, promotions such as the “10% Bonus Bar” are run.

5 UK television advertising “Excitement” and, since February 1996, “Rollercoaster” is popular with the Canadian market.

Environment, Community and Development

Managing Environmental Issues

As part of the Cadbury Schweppes Environmental Programme, environmental training courses have been attended by over 200 beverages and confectionery employees in Australia, Belgium, Canada, France, Germany, India, Ireland, Mexico, South Africa, Spain, the UK and the US. During 1996 we continued to improve performance in the key areas of air emissions; water, energy and materials conservation; wastewater treatment; solid waste and packaging management; and soil and groundwater protection.

Air Emissions

■ Cadbury Egypt and Trebor Allan in Canada converted boilers to operate on clean burning gas.

■ In Mexico, Cadbury Aguas Minerales introduced propane gas powered delivery trucks, resulting in reduced emissions.

■ Zero ozone depleting refrigerants were chosen by Cadbury Russia (ammonia) and in the US, by the Mott's plant in Aspers (R134a). In the UK, Cadbury Ltd is replacing HCFC refrigerants with R407c.

■ CFC refrigerant reduction continued by the further removal of refrigerant type R12 from Cadbury France; Crystal Candy, Zimbabwe; and Cadbury Chocolate Canada, Toronto. Cadbury France also removed refrigerant type R11.

Water, Energy and Materials Conservation

■ Water reclamation programmes saved up to 25% of water consumption at Tecate and Xalostoc, Mexico; Schweppes Cottee's, Liverpool, Australia; and Cadbury, Dunedin, New Zealand. Cadbury Stani, Argentina, installed additional water meters to manage water usage.

■ 30,000 T-8 energy efficient lights were installed at Stamford and Trumbull, US, saving 20% electrical usage. Trebor Bassett, Colchester, UK also installed energy efficient lighting and extended the computerised Building Management System.

Wastewater Treatment

■ New effluent treatment facilities were commissioned for beverage sites at Alexandria and Brisbane, Australia; Gonesse, France; Athy, Ireland; Carcagente and Barcelona, Spain; and for confectionery sites at Phalton, India; Johannesburg, South Africa; Granby, Canada; Beijing, China; and Chudovo, Russia.

Solid Waste and Packaging Management

■ Mott's factories at Aspers and Williamson in the US achieved 95% solid waste diversion from landfill by recycling, composting and land fertilisation using fruit wastes. Cadbury Australia's Scoresby and Ringwood factories reduced solid waste by up to 30%. The recycling programme at MacRobertson Foods, Singapore, saved up to 25% of cocoa liquor packaging.

■ CCSB was a leading participant in creating the Industry Recycling Organisation VALPAK in the UK.

■ Cadbury Faam, Netherlands, sends liquid food waste residues for animal feed and began pilot plant trials to extract and concentrate wastewater solids.

Soil and Groundwater Protection

■ PCB electrical equipment was replaced at confectionery plants in France, Argentina and Canada.

■ Underground storage tanks were removed at Madrid, Spain, decommissioned at Hamilton, Canada, and replaced at Harare, Zimbabwe.

Management teams from Cadbury India and Cadbury Schweppes India completed their two day environmental training programme at Mumbai in November 1996.

■ Cadbury Beverages is a member of the Laurel Park Coalition which is restoring a 30 acre landfill site at Naugatuck, US.
■ Cadbury Pakistan in Karachi planted over 600 trees and shrubs as part of a major site environmental improvement programme.
■ New hazardous materials storage facilities were installed by Schweppes Cottee's, Alexandria, Australia.

Examples of monitoring and managing environmental impact around the world:

Effluent sampling in Poland.

Testing forklift truck exhaust emissions.

Laboratory testing of water purity.

River sampling in the US.

Community Involvement

Cadbury Schweppes contributes actively to the communities in which it operates around the world through locally targeted programmes. These may involve opportunities for commercial sponsorship, employee involvement and help with facilities as well as direct financial support. Increasingly we are building partnerships with projects or organisations in the local community to ensure that our contribution is as effective as possible.

■ The "Take our Daughters to Work Day" initiative was supported by the Group in various ways by Group Headquarters, Schweppes Europe and Cadbury Chocolate Canada. Introducing children to a work day shows them the importance of career skills, training and education.
■ In the UK the Cadbury Schweppes Foundation made grants totalling £491,000 mainly in the areas of education, enterprise, health and welfare. A major project in conjunction with Business in the Community is to develop best practice and promote cause-related marketing initiatives delivering significant benefits to business and community causes.
■ Cadbury in South Africa supported the Nelson Mandela Children's Fund with a R500,000 investment in the first-ever South African Everest expedition. Schweppes Europe and Cadbury Stani in Argentina sponsored two young explorers on the One Step Beyond Antarctic expedition in support of UNESCO, and the Cadbury Schweppes Foundation supplied a £10,000 grant.
■ In the UK Cadbury Ltd was a major supporter of the West Midlands 1996 Festival of Industry and Enterprise Programme. An important objective of the Programme was to build links between the classroom and the workplace, a key aspect of our Group community affairs programme. Cadbury Ltd has over 35 link schools and colleges, covering all its UK sites. Trebor Bassett has developed links with local secondary schools and provides management resource to support science and business studies projects. Cadbury in South

Cadbury's Strollerthon in London: successful cause-related marketing, raising more than £2.1 million over the past six years for charity. Over 18,000 people took part in 1996.

Environment, Community and Development
continued

Schweppes Europe donated DM45,000 to "Hope and Homes" orphanage in Sarajevo for the construction of a playground.

Africa invested R200,000 in school materials.

■ In the US Cadbury Beverages supported fund-raising for Multiple Sclerosis research by sponsoring a bike tour. Cadbury Chocolate Canada employees also rode for charity at the seventh Corporate Stationary Bike-A-Thon, an event which raised C$175,000 for diabetes research.

■ In Africa Schweppes' sponsorship of Basketball South Africa totalled R1.2 million while Cadbury Nigeria sponsored a successful International Open Table Tennis Championship.

■ In the US Dr Pepper's sponsorship of the Hispanic Heritage Awards Program totals $340,000. Seven Up and its bottlers contributed over $2 million to the Muscular Dystrophy Association in 1996 through holding events such as its Matching Cents Per Case Program.

■ Schweppes Europe gave 20 students work placements at its UK headquarters while Schweppes in Zimbabwe offered practical experience to technical students from government institutes.

■ Cadbury Schweppes Australia continues to donate A$20,000 per annum to the Peter MacCallum Cancer Institute. In Germany Apollinaris & Schweppes donated DM20,000 to the "Phönikks" children's cancer foundation.

■ Schweppes Spain continued its links with the World Wide Fund for Nature/Adena through TriNatural 1996, conserving the Spanish coast and seas. Over 250,000 people cleaned up more than 16 tonnes of rubbish from the coast. Schweppes South Africa continued its Lemon Twist projects, cleaning up parks in Johannesburg, Pretoria and Durban.

■ In the UK, Cadbury Ltd's fund-raising efforts were honoured by the presentation of a certificate from the Princess Royal, President of Save the Children. Cadbury Ltd also reached the national finals of a competition to recognise social commitment in big business, organised by the Institute of Grocery Distribution.

An exchange student, sponsored by Cadbury Schweppes Australia through the Corporate Scholarship Program, participates in a Thai festival.

Learning and Development

The Company's ability to sustain a competitive advantage over the long term will depend in large part on the continuous development of our employees. For this reason the Company is committed to providing an environment which values continuous learning and which provides learning and development opportunities both within business units and across the Group. Development is a shared responsibility and employees for their part must possess the drive and initiative to take advantage of the available learning and development opportunities.

Each of our business units provides the relevant systems and programmes to meet the learning and development needs of its employees and of the business. These needs vary significantly from business to business and a few examples are set out below.

- Starting up a business in Russia called for training on subjects from chocolate-making and selling to a range of management skills. In developing a culture of learning and skill transfer, experienced Cadbury Schweppes employees took assignments in Russia to pass on their know-how, while a programme of "study visits" enabled local staff to learn about the business at other Cadbury sites.
- Cadbury Kenya's top 40 managers took part in an outward bound experience to learn more about how good teams work effectively and developed a new understanding of responsibility levels at work.
- At Cadbury Chocolate Canada, fairness in the workplace initiatives focus on education and also seek employee input into work and family issues and fair access to employment.
- Schweppes Europe has devised and implemented a development programme aimed at transferring best operating practice in the management of the retail environment. It has provided real added value to our employees and, importantly, to our bottler and retailer partners, in addressing their business needs.
- A tailor-made Learning for Success programme in Cadbury Ltd has introduced over 400 employees to new IT-computer skills and also assisted some with basic literacy and numeracy skills.

As part of the Group's continuous effort to provide development for our most senior managers, a new programme called Leadership, Performance, Change was initiated in 1996. This tailored executive development programme is aimed at enhancing the capabilities of the organisation to lead the business successfully in an ever-changing market place. About 200 managers will participate over the next two years.

As the business continues to expand globally, the Company is also committed to increasing our pool of managers with international experience. Two specific initiatives, the Accelerated Development Programme and the International Management Development Programme, provide short and medium term international assignments. Additionally, our strong commitment to internal development by promoting from within the Company extends to international opportunities and at year end we had 130 individuals on international assignments across the Group.

Senior Managers participating in the new Leadership, Performance, Change programme at Evian, France. This programme has been designed specifically for the Group in partnership with the Centre for Executive Development.

Corporate Governance

The Committee on The Financial Aspects of Corporate Governance issued a Code of Best Practice with 19 specific items. The Company has complied with all these items throughout the year.

Board of Directors

The Board of Directors at 5 March 1997 comprises thirteen Directors, six Executive Directors and seven Non-Executive Directors. The Board meets regularly and is responsible for the proper management of the Company. The Board has reserved certain items for its review, including the approval of annual and interim results, acquisitions, disposals and joint ventures 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.

Nomination Committee

Members: Chairman, Deputy Chairman and Group Chief Executive
Chairman: N D Cadbury

This Committee is empowered to bring to the Board recommendations as to the appointment of any new director, executive or non-executive, 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.

Audit Committee

Members: Non-Executive Directors
Chairman: T O Hutchison

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.

Remuneration Committee

The Report of the Remuneration Committee is on pages 39 to 45.

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 disposition; 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 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.

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 accounts.

Report by the auditors to Cadbury Schweppes plc on Corporate Governance matters

In addition to our audit of the financial statements, we have reviewed the Directors' statement on page 30 on the Company's compliance with the paragraphs of The Committee on The Financial Aspects of Corporate Governance Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v).

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Company's system of internal financial control or its corporate governance procedures nor on the ability of the Company and the Group to continue in operational existence.

Opinion

With respect to the Directors' statements on internal financial control and going concern on page 30, in our opinion the Directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain Directors and officers of the Company, and examination of relevant documents, in our opinion the Directors' statement on page 30 appropriately reflects the Company's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

Arthur Andersen
Chartered Accountants and
Registered Auditors
London
5 March 1997

Board of Directors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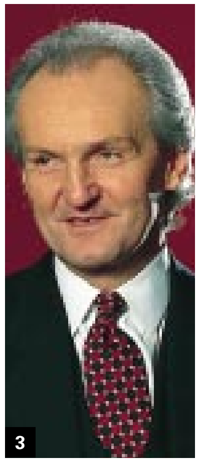
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7

1 N D Cadbury Chairman
Appointed 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 1974. He held many positions within the Group before becoming Managing Director of the UK Confectionery Division in 1980.
He is Joint Deputy Chairman of Guinness plc and Chairman of The Economist Newspaper Ltd. He is also Chairman of the CBI Education & Training Affairs Committee and President of the Chartered Institute of Marketing. Age 56.

2 T O Hutchison Non-Executive Deputy Chairman
Appointed Deputy Chairman in May 1992 and has served as a Director since 1986. He is a Deputy Governor of Bank of Scotland and a non-executive Director of Hammerson plc and AMP Asset Management plc. He was a Director of Imperial Chemical Industries plc from 1985 until 1991. Age 66.

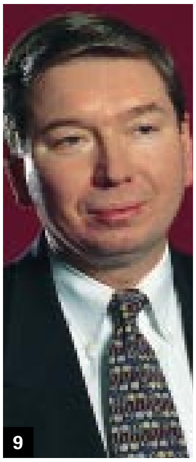
3 J M Sunderland Group Chief Executive
Appointed Group Chief Executive in September 1996 having served as a Director since 1993. He joined Cadbury Schweppes in 1968. After holding various directorships in Ireland, South Africa and the UK, he was a founding Director in 1987 of Coca-Cola & Schweppes Beverages 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. Age 51.

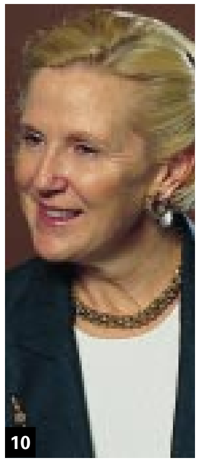
4 J F Brock Managing Director, Beverages Stream
Appointed a Director in January 1996 and as Managing Director, Beverages Stream in February 1996. He joined Cadbury Beverages North America in 1983 after 11 years with Procter & Gamble Co. He was appointed President, Cadbury Beverages International in 1990 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. and the subsequent establishment of the combined Dr Pepper and Cadbury North America business, of which he continues as President/Chief Executive Officer. Age 48.

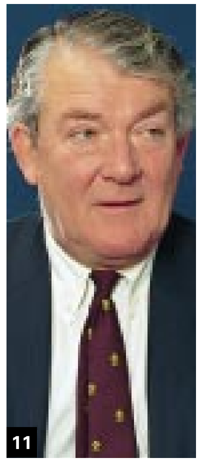
5 I F H Davison Non-Executive
Appointed a Director in 1990. He is Chairman of The NMB Group PLC and McDonnell Information Systems Group Plc, and a Director of Chloride Group plc, Credit Lyonnais Capital Markets Ltd and the London School of Economics and Political Science. Age 65.

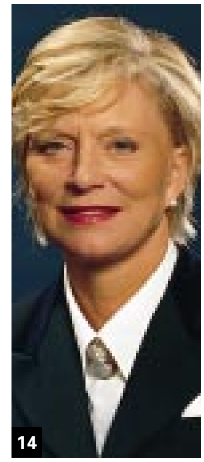
6 Dr F B Humer Non-Executive
Appointed a Director in 1994. He is Chief Operating Officer, Head of the Pharmaceuticals Division and member of the Board of Directors of F Hoffmann-La Roche Ltd as well as a member of the Executive Committee. He is also a director of Genentech Inc. Previously he held senior positions within the Glaxo group from 1981 until 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 50.

7 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. In 1990 he was appointed Managing Director of the Australian soft drinks operations and in 1991 Managing Director of Schweppes Cottee's. In 1994 he moved to the UK and became Managing Director of Cadbury Ltd. Age 49.









8 D J Kappler Group Finance Director
Appointed 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 Group 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. Age 49.

9 R J Stack
Group Human Resources Director
Appointed as Group Human Resources 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 Group. Age 46.

10 Mrs A M Vinton Non-Executive
Appointed a Director in 1991. She was Joint Chairman, from 1990 to 1994, of The Reject Shop plc, of which she was also one of the founding partners. She is a Director of Courtauld Textiles Plc, Thomas Jordan plc, Covent Garden Market Authority and Marie Curie Ltd. Age 49.

11 G H Waddell Non-Executive
Appointed a Director in 1988. He is Chairman of Fairway Group plc, Shanks & McEwan plc, Gartmore Scotland Investment Trust plc and Mersey Docks Harbour Company. He is also a Director of Pioneer Goldfields Ltd. He was Chairman of Johannesburg Consolidated Investment Co Ltd from 1981 to 1987 and South African Breweries Ltd from 1984 to 1987. Age 59.

12 Sir John Whitehead, GCMG, CVO
Non-Executive
Appointed a Director in 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 Senior Advisor to Deutsche Morgan Grenfell Group plc, a Director of BPB plc and an advisor to various companies including Cable & Wireless plc and Guinness plc. Age 64.

13 D R Williams Director until 14 February 1997, Managing Director, Coca-Cola & Schweppes Beverages Ltd until 10 February 1997
Joined the Company as Personnel Director, UK Drinks Division in 1975. He became Managing Director of the Drinks Division in 1984. He was appointed to the Board in 1986 and became Managing Director of Coca-Cola & Schweppes Beverages Ltd in 1987 which appointments he held until his resignations from each in February 1997 upon the sale of CCSB. Non-executive Director of Ladbroke Group plc. Age 58.

14 Baroness Wilcox Non-Executive
Appointed a Director on 5 March 1997. She is a member of the House of Lords and an advisor to the Prime Minister on Citizen's Charters. She is President of the National Federation of Consumer Groups, President of 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 56.

Report of the Directors

The Directors of Cadbury Schweppes plc present their Report together with the audited Accounts for the 52 weeks ended 28 December 1996 (the "year").

Principal Activities

Cadbury Schweppes plc (the "Company") and its subsidiary and associated undertakings (the "Group") are principally engaged in the manufacture and sale of branded confectionery and beverages, supplied through wholesale and retail outlets of the confectionery, licensed, catering and grocery trades in many countries throughout the world.

The operating companies principally affecting the profit or assets of the Group in the year are listed in Note 32 on the Accounts.

Acquisitions, Disposals and Changes in Investments

Acquisitions, disposals and changes in investments are referred to in the Stream Reviews on pages 10 to 25.

Business Review

The Chairman's Statement, the Group Chief Executive's Review, the Beverages and Confectionery Stream Reviews and the Financial Review, on pages 4 to 7, 10 to 25 and 46 to 51 inclusive, report on the Group's development during the year, its position at the year end and the Group's likely future development.

Post Balance Sheet Events

Details are set out in Note 31 on the Accounts.

Research and Development and Technical Resources

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, as well as other establishments around the world.

In 1996, the Company spent £21 million on research and development (1995: £18 million). Reading Scientific Services Ltd provides research and analytical services to the Group and external customers. Cadbury Beverages Technical Center at Trumbull provides research and development services to the Beverages stream world-wide.

ITnet Ltd, in which the Group has a 12½% holding, continued to provide information technology and facilities management services to the Group and external customers during the year and the provision of these services will continue to be made to various operating companies in the Group.

Turnover and Profit

Turnover amounted to £5,115 million (1995: £4,776 million). Profit on ordinary activities before tax and disposals amounted to £592 million (1995: £512 million). Ordinary dividends paid and recommended amounted to £171 million (1995: £159 million).

Dividend

An interim dividend of 5.2p net per Ordinary Share was paid on 22 November 1996. A final dividend of 11.8p net per Ordinary Share was recommended by the Directors on 5 March 1997 and, subject to approval at the Annual General Meeting, will be paid on 23 May 1997 to Ordinary Shareholders on the register at the close of business on 21 March 1997. The recommended final dividend totals £118 million.

The dividend on the Ordinary Shares for the year is summarised in Table 1.

Table 1
Ordinary Share Dividend

	1996 Pence per share	1995 Pence per share
Interim dividend	**5.20**	4.90
Tax credit 20% (20%)	**1.30**	1.23
Final dividend	**11.80**	11.10
Tax credit 20% (20%)	**2.95**	2.77
	21.25	20.00

Share Dividend

In accordance with the Articles of Association the Directors were authorised, at the Annual General Meeting held on 8 May 1996, to offer Ordinary Shareholders the opportunity to receive dividends in the form of Ordinary Shares instead of in cash.

The Directors recommend that Ordinary Shareholders continue to be given the opportunity of electing to receive, instead of a cash dividend, fully paid Ordinary Shares, or a combination of the two to the same value. Changes to the Share Dividend Alternative arrangements, including the Share Dividend Mandate Scheme, were announced with the interim dividend 1996.

Share Capital

Changes in the Ordinary Share Capital of the Company are detailed in Note 22 on the Accounts.

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.

In May 1996, the Ordinary Shares, as American Depositary Shares, were listed on the New York Stock Exchange. This did not involve the issue of any new Ordinary Shares. The ticker symbol is CSG.

Share Schemes

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 and Canada with variations reflecting legislative requirements in those countries.

Since 1984 the Company has also operated 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 exercised will be subject to an objective performance target set by the Remuneration Committee.

Grants of options were made under the 1994 Plan during 1996 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 cent per year compound (or 6.12 per cent over such three year period).

Further details on share schemes are provided in Note 30 on the Accounts.

At the Annual General Meeting held on 8 May 1996, a resolution was passed to amend the Savings-Related Share Option Scheme 1982, the two Irish Savings-Related Share Option Schemes and the US and Canada Employee Stock Purchase Plan 1994.

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 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, including executive Directors of the Company, are potential beneficiaries under the QUEST.

In January 1997, the Company also established a Bonus Share Retention Plan to encourage participants to receive all or part of their annual incentive award in the form of Ordinary Shares in the Company instead of in cash. Further details are set out in the Report of the Remuneration Committee on page 39.

Directors

The names of the Directors at the date of this Report, and of Mr D R Williams who held office in the year, together with brief biographical details, are listed on pages 32 and 33. All the Directors held office throughout the year except for Mr J F Brock, Mr R J Stack, Mr I D Johnston and Baroness Wilcox who were appointed on 11 January 1996, 24 May 1996, 16 September 1996 and, subsequent to the year end, on 5 March 1997 respectively. Mr F J Swan, Mr R C Stradwick and Mr D G Wellings also held office in the year until their resignations, upon retirement, on 5 February 1996, 26 April 1996 and 9 September 1996 respectively. Mr K M von der Heyden held office in the year from 5 March 1996 until his resignation on 18 September 1996. Mr D R Williams held office throughout the year until his resignation, upon the sale of CCSB, subsequent to the year end on 14 February 1997.

Mr R J Stack, Mr I D Johnston and Baroness Wilcox having been appointed since the last Annual General Meeting, will retire at the Annual General Meeting in accordance with Article 89 of the Articles of Association and, being eligible, offer themselves for re-appointment.

Mrs A M Vinton and Mr G H Waddell will retire at the Annual General Meeting and are not seeking re-appointment.

Mr N D Cadbury and Sir John Whitehead retire by rotation at the Annual General Meeting in accordance with Article 90 of the Articles of Association and, being eligible, offer themselves for re-appointment.

Mr N D Cadbury, Mr R J Stack and Mr I D Johnston have service contracts with the Company each of which is terminable by the Company giving two years' notice. As non-executive Directors, Baroness Wilcox and Sir John Whitehead do not have service contracts with the Company.

The Report of the Remuneration Committee is on pages 39 to 45.

Table 2
Interests in Ordinary Share Capital

	Number of Ordinary shares	% of Issued Ordinary Share Capital
Prudential Corporation plc	30,347,494	3.03

Corporate Governance

The Company's compliance with the Code of Best Practice of the Committee on The Financial Aspects of Corporate Governance is reported 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.

Share and Other Interests

The interests of the Directors holding office at the year end in the share capital of the Company at 30 December 1995 (or date of appointment, if later) and 28 December 1996 according to the Register maintained under Section 325 of the Companies Act 1985 are detailed in the Report of the Remuneration Committee on pages 44 and 45.

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 2 amounting to 3% or more in the issued Ordinary Share Capital had been notified.

CREST

The London Stock Exchange's new electronic system for the settlement of transactions for the purchase and sale of shares became operational in July 1996 and the Ordinary Shares of the Company became transferable by means of the CREST system on 27 January 1997.

Shareholders have the choice to hold shares in electronic form or to continue to hold and receive share certificates. At 5 March 1997, 82.28% of the issued share capital was held in electronic form.

People

The aggregate gross remuneration, including bonuses, of persons employed by the Company and its subsidiary undertakings in the UK was £301 million (1995: £307 million). The average number of employees of the Group analysed by region is summarised in Table 3.

Learning and Development

The Company's commitment to learning and development is detailed on page 29.

During the year the Group Headquarters attained the Investor in People recognition, which is the UK national standard for effective development of people. This standard had already been achieved in previous years by Cadbury Ltd and the Wakefield beverages factory.

INVESTOR IN PEOPLE

Employee Involvement

The Company'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 wherever they happen to work. In many areas ongoing programmes, focused 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 schemes which provide employees with a direct stake in the growth and prosperity of the business. In addition, the Company communicates with its employees about its activities through a variety of channels.

The Group is creating 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.

Table 3
Number of Employees

	1996	1995
UK	**13,116**	13,886
Europe	**6,843**	6,689
Americas	**9,188**	7,730
Pacific Rim	**6,368**	6,083
Africa & Others	**7,396**	7,401
Total	**42,911**	41,789

Equal Opportunities

The Company is committed to providing equal opportunities to individuals within its businesses world-wide in all aspects of employment. In support of this, policies, procedures and practices focus on ability and do not discriminate on any other basis. The Company 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 Company 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.

Social Responsibility
The Group seeks to contribute to the communities where it has operations both by targeted financial support and by direct involvement and secondment of employees to community projects. Reference to the Group's activities is made on pages 27 to 28.

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 £1,036,000 (1995: £760,000). The Company qualifies as a member of The Per Cent Club.

Further details of the Company's charitable work are given in Community Involvement on pages 27 and 28.

Annual General Meeting
The AGM will be held on Thursday 8 May 1997 at 2.30 p.m. 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 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 and to renew the authority of the Directors to offer a Share Dividend Alternative.

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

By Order of the Board
M A C Clark
Secretary
5 March 1997

Report of the Remuneration Committee

1 The Committee

The Non-Executive Directors of the Company serve as members of the Remuneration Committee chaired by Mr T O Hutchison, the Deputy Chairman. The Group Secretary acts as Secretary. The Chairman, Group Chief Executive and the Group Human Resources Director attend meetings at the invitation of the Committee.

The Committee reviews and approves the annual salaries, incentive arrangements, option grants, 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 is in compliance with Section A of the best practice provisions annexed to the Stock Exchange Listing Rules.

2 Remuneration Policy

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 to protect the interests of Shareholders. In framing its remuneration policy, the Remuneration Committee has given full consideration to Section B of the best practice provisions annexed to the Stock Exchange Listing Rules.

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.

(a) 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.

(b) 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 1996 annual incentive awards for Directors were based on the achievement of real growth in net profit, real growth in earnings per share and either operating cash flow or sales volume. Those annual awards are based on objective financial tests subject to appropriate adjustments as determined by the Remuneration Committee. The target incentive award for Executive Directors is 50% of basic salary except for Mr J F Brock whose target is 75% of basic salary. However, in the case of exceptional results the annual incentive payment may increase up to a maximum amount of 100% of basic salary and 150% for Mr Brock. Incentive awards to Executive Directors for 1995 and 1996 averaged 43% and 48%, respectively, of basic salary. The Chairman does not participate in the Annual Incentive Plan.

The Bonus Share Retention Plan ("BSRP") applies for the first time to annual incentive plan awards for 1996. 132 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 share awards under the BSRP will be purchased in the market and held in trust for such three year period. If a participant leaves the Company during such a three year period, such participant will forfeit 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.

(c) Long Term Incentive Plan
The Long Term Incentive Plan ("LTIP") provides for annual awards to Executive Directors and certain other senior executives based on the achievement of real growth in earnings per share measured over a three year cycle. Targets are normally set in the first year of the applicable three year cycle. The Remuneration Committee determines to what extent awards have been earned following the publication of annual results for the last year of the cycle. LTIP awards are based on

objective financial tests subject to appropriate adjustments as determined by the Remuneration Committee. The award payable for 1996 will cover the years 1994-1996. Awards under the LTIP are subject to the achievement of targets and are paid half in cash and the other half in Ordinary Shares or nil cost options or in cash as determined by the Remuneration Committee.
The Remuneration Committee determined that half the awards for the 1992-1994 cycle and the 1993-1995 cycle were made, and for the 1994-1996 cycle will be made, in Ordinary Shares. Shares required to satisfy awards under the LTIP are provided from a trust which purchases shares in the market. Restrictions are attached to the latter half of any award for two years from the end of each performance cycle. The annual target award for Executive Directors (other than the Chairman and Mr J F Brock) under the LTIP is 25% of basic salary and in exceptional circumstances awards may increase up to a maximum of 50% of basic salary. The target and maximum award for the Chairman under the LTIP is 50% of basic salary. The target and maximum award for Mr J F Brock are 20% and 40% of basic salary, respectively. Awards earned under the LTIP averaged 16.6% of basic salary for the 1993-1995 cycle and 10.5% for the 1994-1996 cycle.

In Section 3 of this Report of the Remuneration Committee the interests of the Executive Directors, who served during the year, in the LTIP at the beginning of the year, 31 December 1995 (or date of appointment if later), at the end of the year, 28 December 1996, and changes during the year are set out. At 28 December 1996, Executive Directors had interests in the LTIP in respect of the 1994-1996, 1995-1997 and 1996-1998 cycles. In March 1996 the Remuneration Committee approved targets for the 1996-1998 cycle and approved awards which had been earned for the 1993-1995 cycle. Release of awards in respect of the 1991-1993 cycle (together with accrued share dividends) was made in April 1996.

(d) Share Schemes

Details of the share schemes are provided in the Report of the Directors on pages 35 and 36 and in Note 30 on the Accounts.

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

Options under the 1994 Plan are generally granted to Executive Directors annually to a value equivalent to one to one and a third 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 a Director leaves the Company within three years of the option grant.

The Executive Directors have also participated as applicable in the savings-related share option scheme operated in the country in which their contract of employment is based.

(e) Retirement Benefits

The Greenbury Committee recommended changes in the disclosures relating to Directors' pension arrangements. Recommendations on the methodology of disclosure of Directors' pensions were issued by the Institute of Actuaries and Faculty of Actuaries. The Company will comply with the disclosure guidelines upon issue by the Stock Exchange of definitive guidelines. Consistent with past practice, the Company has, for 1996, reported the pension contribution for the Chairman and the highest paid Director as well as the total pension contributions for all Directors. Further details on pension arrangements under the UK schemes are set out in Note 29 on the Accounts.

Retirement benefit arrangements in the UK will provide the Executive Directors at normal retirement age and subject to length of service with a pension of up to two-thirds of their pensionable salary subject to Inland Revenue limits and other statutory rules. Members contribute 5% of salary and pensionable bonus, and the Company is responsible for any additional cost. Under these arrangements 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.

Mr J F Brock and Mr R J Stack

were seconded to the Company by Cadbury Schweppes Holdings, Inc which is a US subsidiary of the Company.

Mr Brock and Mr Stack participate in the standard retirement benefit arrangements for senior executives in the US. Their retirement benefit arrangements will provide each of them with a retirement benefit based on average salary for the last three years of service and their total years of service. These arrangements provide a pension of 60 per cent of pensionable earnings at age 65 subject to 25 years' service. However, the pension is at a lower level where service is less than 25 years or retirement takes place before age 65. This aspect of the arrangements is under review by the Committee. Incentive awards under the annual incentive plan to Mr Brock and Mr Stack are pensionable. The pensionability of such incentive awards is consistent with long-standing arrangements for the Company's other senior executives in the US.

Mr I D Johnston was seconded to the Company from Cadbury Schweppes Pty Ltd which is an Australian subsidiary of the Company. He participates in the standard retirement benefit arrangements for senior executives in Australia. These retirement benefit arrangements will provide him with a retirement benefit based on average salary for the best three years in the last 10 years of service and his total years of service. Subject to Australian tax requirements, the retirement benefit is a lump sum payment of 20 per cent of final average salary for each year of executive service (up to an overall maximum of seven times final average salary). An annual incentive award to Mr Johnston of up to 50% of basic salary is pensionable. The pensionability of a portion of such incentive awards is consistent with the long-standing arrangements for the Company's other senior executives in Australia.

(f) Service Contracts

All of the Executive Directors of the Company have service contracts with the Company. Their contracts require two years' notice of termination by the Company. Under the secondment arrangements Mr Brock, Mr Stack and Mr Johnston are entitled to six months employment by their employing company in their home country if there are no suitable opportunities for them when their secondments end. Mr D R Williams resigned from the Board on 14 February 1997, upon the sale of CCSB. The contracts for Directors provide for liquidated damages equal to the lesser of two times basic salary and the salary due from the date of notification of termination to normal retirement date.

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.

(g) 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 of companies not associated with Cadbury Schweppes plc. Subject to certain conditions, Executive Directors are permitted to accept appointment as Non-Executive Directors of 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 normally accept more than one such Non-Executive Directorship.

(h) 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.

3 Directors' Emoluments

Summary for Year

Directors' Remuneration

	1996 £000	1995 £000
Total remuneration:		
– Fees as Directors	**212**	167
– Salaries and other benefits	**2,732**	2,552
– Performance related pay	**1,293**	1,228
	4,237	3,947
Pension contributions:		
– Charge for the year	**1,104**	1,137
– Under provision in prior years	**–**	1,386
Payments for former Directors or their dependants		
– Pensions	**22**	24
– Other	**10**	–
	5,373	6,494

The under-provision for pension contributions in prior years arose as a result of actuarial valuations reflecting the enhanced level of salary which is payable on appointment as Directors and the long periods of past service for the individual Directors involved.

During the year the Company provided pension contributions on behalf of N D Cadbury as Chairman and D R Williams as the highest paid Director of £262,000 (1995: £254,000) and £174,000 (1995: D G Wellings £256,000) respectively.

Individual Details

	Pay and benefits	Incentive Award 1996 see page 39					
	Basic Salary/Fees £000	Cash £000	BSRP award £000	LTIP see pages 39 and 40 £000	Allowances and benefits £000	**1996 Total £000**	1995 Total £000
N D Cadbury	534	–	–	91	42	**667**	666
J M Sunderland	331	–	174	25	16	**546**	366
J F Brock (a)	283	61	115	7	57	**523**	–
I D Johnston (b)	79	–	32	2	7	**120**	–
D J Kappler	264	–	131	12	16	**423**	344
R J Stack (c)	124	–	59	4	52	**239**	–
R C Stradwick (d)	68	32	–	13	11	**124**	330
F J Swan (e)	36	12	–	21	4	**73**	596
D G Wellings (f)	330	177	–	37	68	**612**	676
D R Williams	377	262	–	26	33	**698**	645
T O Hutchison	55	–	–	–	–	**55**	51
I F H Davison	25	–	–	–	–	**25**	23
K M von der Heyden (g)	32	–	–	–	–	**32**	–
F B Humer	25	–	–	–	–	**25**	23
Mrs A M Vinton	25	–	–	–	–	**25**	23
G H Waddell	25	–	–	–	–	**25**	23
Sir John Whitehead	25	–	–	–	–	**25**	23

(Explanation of notes (a) to (g) on page 43)

3 Directors' Emoluments continued

The BSRP award will be used to purchase shares which will be held subject to the terms and conditions of the BSRP as described on page 39. At the end of the three year period if the participating Director is still an employee of the Company, he will receive the shares together with the additional shares (in the ratio of three additional shares for every five shares awarded under the BSRP).

(a) Appointed 11 January 1996
(b) Appointed 16 September 1996
(c) Appointed 24 May 1996
(d) Resigned 26 April 1996
(e) Resigned 5 February 1996
(f) Resigned 9 September 1996
(g) Appointed 5 March 1996, resigned 18 September 1996

Long Term Incentive Plan

Details of the Long Term Incentive Plan are described on pages 39 and 40. Ordinary Shares held on behalf of the Directors in trust at 31 December 1995 (or date of appointment if later) and at 28 December 1996, in addition to Ordinary Shares awarded to the Directors in 1996, are detailed below together with cash awards made in the year.

	Shares held in trust at 31 December 1995 (or date of appointment if later)	Share Awards (c)	Vesting of Share Awards (d)	Share Dividends (e)	Shares held in trust at 28 December 1996	Cash Awards (c) £
N D Cadbury	9,074	14,576	(4,419)	298	19,529	75,221
J M Sunderland	2,304	3,170	(1,415)	60	4,119	16,360
J F Brock	2,331	2,507	(1,596)	48	3,290	12,944
I D Johnston (a)	2,156	(a)	(a)	22	2,178	(a)
D J Kappler	639	1,411	(425)	20	1,645	7,289
R J Stack (a)	1,686	(a)	(a)	25	1,711	(a)
R C Stradwick (b)	2,444	Nil	(2,444)	Nil	(b)	25,183
F J Swan (b)	4,000	Nil	(4,000)	Nil	(b)	41,208
D G Wellings (b)	4,555	5,705	(2,874)	36	(b)	29,441
D R Williams	3,556	3,549	(2,366)	73	4,812	18,317

(a) R J Stack and I D Johnston were appointed on 24 May 1996 and 16 September 1996 respectively, after Awards (c) and Vesting of Share Awards (d).
(b) R C Stradwick, F J Swan and D G Wellings resigned as Directors on 26 April 1996, 5 February 1996 and 9 September 1996 respectively, following which all remaining shares held in the trust for them were distributed to them.
(c) Awards for the 1993-1995 cycle approved in March 1996.
(d) Vesting of share awards of the 1991-1993 cycle, and accrued share dividends, in April 1996.
(e) Shares held in trust increased during 1996 as a result of share dividends.

4 Directors' Interests

Ordinary Shares and Share Options

The interests of the Directors holding office at 28 December 1996 ("1996") and at 31 December 1995, the beginning of the year (or the date of appointment if later) ("1995"), in the Share Capital of the Company are detailed below:

Table 1

	Ordinary Shares of 25p		Options over Ordinary Shares of 25p (b)			
	1995 (a)	**1996** (a)	1995	Granted (c)	Exercised (d)	**1996**
N D Cadbury	524,990	**605,864**	575,509	100,000	293,277	**382,232**
J F Brock	9,131	**13,486**	254,377	66,592	1,800(e)	**319,169**
I F H Davison (f)	1,778	**1,778**	Nil	Nil	Nil	**Nil**
F B Humer (f)	1,043	**1,043**	Nil	Nil	Nil	**Nil**
T O Hutchison (f)	8,811	**8,811**	Nil	Nil	Nil	**Nil**
I D Johnston	33,866	**34,212**	195,336	55,000	Nil	**250,336**
D J Kappler	19,637	**21,683**	145,726	56,487	Nil	**202,213**
R J Stack	8,363	**13,496**	123,489	45,000	5,000	**163,489**
J M Sunderland	33,954	**45,949**	300,127	100,000	30,244	**369,883**
A M Vinton (f)	824	**1,463**	Nil	Nil	Nil	**Nil**
G H Waddell (f)	12,086	**12,086**	Nil	Nil	Nil	**Nil**
Sir John Whitehead (f)	3,557	**3,671**	Nil	Nil	Nil	**Nil**
D R Williams	79,161	**86,854**	217,638	1,564	3,249	**215,953**
	737,201	**850,396**	1,812,202	424,643	333,570	**1,903,275**

(a) Directors' holdings of Ordinary Shares include shares held in trust under the Long Term Incentive Plan.
(b) Details of the exercise prices and exercise periods of the share option schemes are given in Note 30 on the Accounts.
(c) Details of individual grants of options during the year are given in Table 2.
(d) Details of individual exercises of options during the year are given in Table 3.
(e) See note * to Table 3 on page 45.
(f) None of the Non-Executive Directors had any interests in the option schemes of the Group.

A summary of options granted during the year is given in Table 1. Details of individual grants of options during the year are given below:

Table 2

	Number of Shares over which options granted	Exercise Price per Share in pence (unless stated otherwise)	Date of Grant	Type of Option See Code in Note 30 on the Accounts
N D Cadbury	100,000	519	28 September 1996	da
J F Brock	1,500	US$6.655	16 April 1996	ha
	65,000	519	28 September 1996	da
I D Johnston	55,000	519	28 September 1996	da
D J Kappler	55,000	519	28 September 1996	da
	1,487	403.6	30 October 1996	ac
R J Stack	45,000	519	28 September 1996	da
J M Sunderland	100,000	519	28 September 1996	da
D R Williams	1,564	428.8	30 October 1996	ab

4 Directors' Interests continued

Ordinary Shares and Share Options

A summary of options exercised during the year is given in Table 1.

Details of individual exercises of options during the year, together with the market price of the shares at the date of exercise, are given below:

Table 3

	Number of Shares	Exercise Price per Share in pence (unless stated otherwise)	Market price pence	Date of Exercise	Type of Option See Code in Note 30 on the Accounts
N D Cadbury	75,056	332.03	513.5	6 September 1996	ba
	105,711	366.09	513.5	6 September 1996	bb
	59,655	299.87	513.5	6 September 1996	bc
	52,855	382.17	513.5	6 September 1996	bd
J F Brock	1,800*	US$5.8418	490	17 May 1996	*
R J Stack	5,000	299.87	515.5	10 September 1996	ca
J M Sunderland	4,874	230.81	538	23 February 1996	aa
	25,370	427.58	508.5	24 September 1996	be
D R Williams	3,249	230.81	539	21 February 1996	aa

*The number of Ordinary Shares acquired by J F Brock under the US and Canada Employee Stock Purchase Plan included 1,708 shares originally granted plus 92 shares which were attributable to the interest earned on the savings. The exercise period expired on 19 May 1996.

The market prices of Ordinary Shares at 2 January 1996 and 27 December 1996, the first and last dealing days in the year, were 537p and 487p respectively.

A summary of grants of options over shares held at the year end is given in Table 1. The weighted average price of grants of options held at the year end, 28 December 1996, are given below:

Table 4

	Number of Shares over which Options have been granted	Weighted Average Price in pence per Share
N D Cadbury	382,232	443.44
J F Brock	319,169	422.35
I D Johnston	250,336	435.34
D J Kappler	202,213	460.35
R J Stack	163,489	446.00
J M Sunderland	369,883	440.33
D R Williams	215,953	442.93

There were the following changes in the interests of Directors between 29 December 1996 and 5 March 1997:

(a) On 2 January 1997 J F Brock exercised an option over 5,000 Ordinary Shares at 319.73p under the Share Option Scheme 1986 for Senior Management Overseas, retaining the acquired shares.

(b) On 29 January 1997 J M Sunderland acquired an additional 12 shares in a single company PEP at a price of 482p, as a result of the re-investment of the interim dividend and tax credit.

(c) On 29 January 1997 D R Williams acquired an additional 12 shares in a single company PEP at a price of 482p, as a result of the re-investment of the interim dividend and tax credit.

(d) As a consequence of the establishment of the QUEST (see Report of the Directors, Share Schemes page 35) the Executive Directors are treated as being interested in any dealings in the Company's shares by the QUEST. During the period 20 January 1997 to 5 March 1997 the QUEST acquired a total of 818,549 Ordinary Shares in the Company by subscription at prices between 230.81p and 508p per share. Those Ordinary Shares were all transferred by the QUEST to individuals who had exercised options under the Sharesave Scheme. At 5 March 1997 the QUEST held no Ordinary Shares in the Company.

All the interests detailed above were beneficial. The non-beneficial interests of N D Cadbury were **763,105** (1995: 763,105). None of the Directors had any interest in the other securities of the Company or the securities of any other company in the Group.

Save as disclosed above, there have been no changes in the interests of the Directors between 29 December 1996 and 5 March 1997.

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

- Operating profit increased by £74 million, a 12% increase from 1995
- Underlying EPS were 34.1p, a 14% increase from 1995
- Underlying free cash flow increased by £37 million, a 37% increase from 1995

David Kappler Group Finance Director

Analysis of Increase in Trading Profit and Operating Profit

As set out in Table 1, trading profit from continuing operations before major restructuring costs increased from £529 million in 1995 to £588 million, an increase of £59 million or 11%. Acquisitions, net of disposals, contributed £28 million of this increase, including the UK and Canadian confectionery businesses acquired in 1996 and the effects of the additional period of trading from Dr Pepper/Seven Up ("DPSU"), acquired in March 1995. Trading losses in our greenfield investments were £14 million higher in 1996 than in 1995, mainly due to the set-up cost and current trading environment in Russia; however our new Polish confectionery business reached

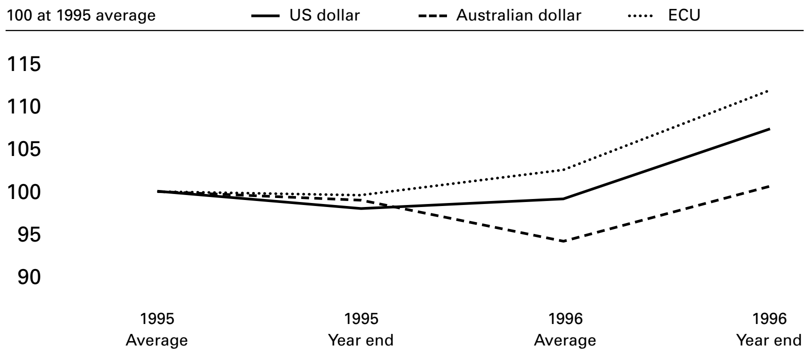
Table 1

Analysis of Results

£m	1995	Exchange Effects	Acquisitions/ Disposals	Greenfield Investments	Increased Activity	**1996**
UK	101	–	(2)	–	8	**107**
Europe	65	(1)	–	(11)	2	**55**
Americas	261	–	30	–	13	**304**
Pacific Rim	75	4	–	(3)	11	**87**
Africa & Others	27	(3)	–	–	11	**35**
Trading profit*	529	–	28	(14)	45	**588**
Discontinued operations	120	–	–	–	4	**124**
Major restructuring costs	(49)	–	(5)	–	13	**(41)**
Associates	28	(1)	–	–	4	**31**
Operating profit	628	(1)	23	(14)	66	**702**
Change %		–	4%	(2)%	10%	**12%**
Beverages	289	(2)	18	–	16	**321**
Confectionery	240	2	10	(14)	29	**267**
Trading profit*	529	–	28	(14)	45	**588**
Change %		–	5%	(3)%	9%	**11%**

*From continuing operations before major restructuring costs

Movement in Sterling Average and Year end Exchange Rates against Major Currencies



profitability in just its second full year of operations. Increased activity added £45 million or 9% to trading profit and is discussed in the Beverages and Confectionery Stream Reviews.

The 1995 results included acquisition related restructuring costs of £49 million mainly in respect of DPSU. During 1996 the Group provided £36 million for the restructuring of the existing operations of Schweppes France as a result of the establishment of a manufacturing joint venture with San Benedetto and £5 million in relation to the restructuring of businesses acquired in 1996.

The Group continues to benefit from its 22½% investment in the UK National Lottery operator Camelot. The 1996 operating profit includes £16 million from our share of Camelot's profit before tax for the 12 months ended September 1996.

Despite the strengthening of sterling towards the end of 1996, for the year as a whole exchange rates were broadly neutral compared with 1995, with average sterling rates strengthening against European and most emerging market currencies, but weakening against the US, Canadian, Australian and New Zealand dollars. However, if the rates at the end of February 1997 had applied throughout 1996, profit before tax (before restructuring costs) would have been some £21 million lower.

Post Balance Sheet Events

The sale of our 51% investment in Coca-Cola & Schweppes Beverages Ltd ("CCSB") was announced in June 1996 and completed on 10 February 1997. Final sale proceeds were £623 million. Tax arising on the disposal is not expected to be payable until 1999. The sale will be recognised in the 1997 accounts, but the trading results of CCSB have been segregated as "discontinued operations" in the profit and loss accounts for both 1995 and 1996, so that profit trends in the Group's continuing operations can be clearly identified.

On 12 February 1997, the Company announced the redemption of its US$ Auction Preference Shares. The redemption programme will be completed on 25 March 1997. These shares have provided an efficient source of funding for the Group in recent years, but more cost effective financing can

Table 2

Balance Sheet Effect of CCSB Disposal and US$ Auction Preference Shares redemption

£m	Actual 1996	Pro Forma 1996
Fixed assets	3,014	2,817
Other assets and liabilities	(113)	(229)
Net borrowings	(1,227)	(753)
Net Assets	1,674	1,835
Ordinary shareholders' interests	1,200	1,536
Minority and non-equity interests	474	299
Total Capital and Reserves	1,674	1,835
Gearing ratio	92%	47%

now be obtained elsewhere.

A pro-forma consolidated balance sheet reflecting the CCSB disposal and the Auction Preference Shares redemption as if they had taken place at the year end (and deducting the CCSB loan notes consideration from net borrowings) is presented in Table 2; this shows clearly the extent to which the Group's financial position and flexibility has been strengthened.

Investments in the Business

During 1996 the Group made further substantial investments for the long term growth of its businesses. These investments took several forms, including:

- Investment in emerging markets,
- Major restructuring initiatives to ensure efficient, low cost production,
- Marketing expenditure to maintain and enhance brands, and
- Capital expenditure to support product innovation, increase manufacturing quality, productivity and capacity, and upgrade information technology.

The Group continues to develop its greenfield investments which include chocolate confectionery manufacturing plants in Russia, Poland, China and Argentina and route to market for beverages operations in India. In November 1996 our £75 million state-of-the-art chocolate factory in Chudovo, near St. Petersburg, Russia was opened, giving the Group the advantage of low cost production inside the tariff ring of the world's second largest confectionery market. Our initial capital investment programme in these markets is now substantially complete, although further tactical expenditure is planned and we expect the scale of revenue investment to decline as these businesses develop and achieve critical mass. We are confident that we are laying the foundation for long term competitive advantage and profitable growth in these markets, and are encouraged by our success in emerging markets such as South Africa and India.

As a result of the 50:50 joint venture agreement with San Benedetto, Schweppes France operations were rationalised resulting in restructuring costs of £36 million, including £24 million of asset write downs. The joint venture will provide Schweppes France with reduced costs resulting from the economies of scale of combined manufacturing. The full benefits should be realised after the new factory at Donnery near Orléans is opened.

The Group's marketing investment in support of its brands increased by £57 million to £738 million and represents 14% of sales revenue.

Capital expenditure during 1996 was £249 million, a 5% increase from 1995. This includes completion of the new chocolate factory in Russia and one of the world's largest aseptic fill bottling lines at Mott's Williamson factory. Additionally, the Group continues its world-wide programme covering both streams to implement integrated enterprise systems which will reduce costs whilst improving management information and customer service.

Taxation

At 30.4% the Group's effective tax rate increased slightly compared to 1995. Adverse effects of the non-deductible restructuring costs in France and an increased US tax burden were substantially offset by recovery of tax losses in Spain and the benefit of a full year's tax relief on the US Preferred Securities.

Financial Performance Indicators

Underlying earnings per share, which excludes gains and losses on disposals of subsidiaries, increased by 14%, while earnings per share measured in accordance with FRS 3 increased by 9%. The FRS 3 measure is subject to significant distortion through items such as the ITnet disposal in 1995 and, looking ahead, the CCSB disposal in 1997. Details of the calculation of underlying earnings are provided in Table 3.

Table 3

Underlying Earnings

£m	1996	1995
FRS 3 earnings	**340**	300
Less: profits on disposal of subsidiaries, net of tax	**–**	(14)
Underlying earnings	**340**	286
Underlying EPS (pence)	**34.1**	29.9

Major restructuring costs are now widely recognised as a recurring item in major food manufacturers, estimated by some analysts at 0.5% of sales over the long term. We broadly subscribe to this view and accordingly accept that in normal circumstances it is no longer appropriate to exclude such costs from the underlying earnings calculation. The after tax effect of major restructuring costs was to reduce earnings per share by 3.5 pence in 1996 and 3.3 pence in 1995.

A final dividend of 11.8p is proposed, making a total dividend for the year of 17.0p, an increase of 6% over 1995. Dividend cover is up from 1.9 to 2.0 times. The Group intends to increase dividend cover over time.

The Group Financial Record presented on pages 54 and 55 has been expanded to show a 10 year history and to include cash flow information. In addition, the Financial Ratios on pages 52 and 53 have been updated to provide information which is more relevant to the Group's current operating structure.

Cash Flow, Funding and Interest

The net cash flow from operating activities improved from £791 million to £869 million and underlying free cash flow consequently improved to £137 million. This compares with 1995 performance of £100 million (excluding the one-off £101 million benefit of the enhanced scrip dividend in that year). The cash consideration on 1996 acquisitions amounted to £135 million. The Group was therefore able to fund its external growth from internally generated cash flows.

The Group has adopted the provisions of Financial Reporting Standard 1 "Cash Flow Statements" as revised in October 1996 in accordance with best practice and restated the 1995 cash flow statement accordingly.

The Group's net interest costs have decreased this year to £110 million from £116 million through tight cash control and with some benefit from lower interest rates. Interest cover has increased to 6.1 times in 1996 from 5.2 times in 1995.

In January 1996 the Group issued a DM300 million Eurobond due 2001, swapped into Canadian dollars, to fund Canadian confectionery acquisitions. The Group also restructured certain fixed rate debt during 1996 to take advantage of lower interest rate availability. The 11.5% Senior Subordinated Discount Notes 2002 issued by DPSU were almost all redeemed in February 1996. In December 1996 the Group arranged US$70 million of financing from the European Bank for Reconstruction and Development to fund confectionery operations in Russia. As noted above, since the year end the Group has served notice to redeem the US$ Auction Preference Shares.

The Group's gearing ratio has decreased to 92% from 102% and, as set out in Table 2, has reduced further to 47% on a pro forma basis since the year end. Undrawn committed facilities of £592 million are available until January 1998.

Financial Instruments and Treasury Risk Management

The Group uses financial instruments for financing and to manage interest, foreign currency and commodity price risk; it does not use them for trading or speculative purposes. The Group has adopted disclosures recommended by the Accounting Standards Board discussion paper "Derivatives and Other Financial Instruments" in this Financial Review and in the Notes on the Accounts.

The Group enters into derivatives 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. Interest rate swaps, cross currency interest rate swaps, forward rate agreements and interest rate caps are used from time to time by the Group to manage interest rate risk.

Objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates whilst enabling benefits to be achieved if interest rates fall. 44% of net debt was at fixed rates of interest at year end. Assuming no changes to the borrowings or hedges disclosed in the Notes on the Accounts, 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 1996 profit before tax by approximately 1.5%.

The Group's objective for debt maturities is to ensure that the amount of debt maturing in any year is not beyond the Group's means to repay or refinance.

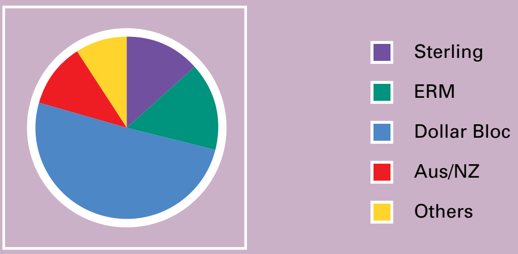
The Group has clearly defined policies for the management of foreign exchange risks. Transactions which create foreign currency cash flows are hedged with either forward contracts or currency options. The Group has widespread overseas operations but does not hedge profit translation exposures as such hedges can only have a temporary effect.

It is important 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. This is achieved by raising funds in different currencies and through use of hedging instruments such as swaps. As Table 4 indicates, a high proportion of year end debt was in US dollars reflecting the Group's projected future cash flows.

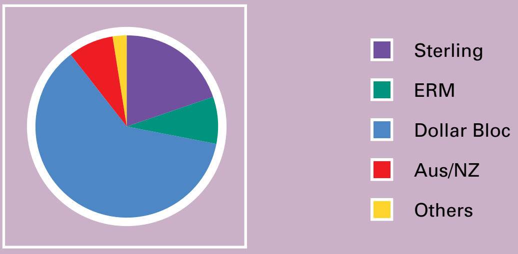
Shareholders' Funds, Brand Values and Shareholders' Return

Ordinary Shareholders' funds (equity) decreased from £1,203 million to £1,183 million. The decrease of £20 million includes foreign exchange movements of £115 million (including exchange movements

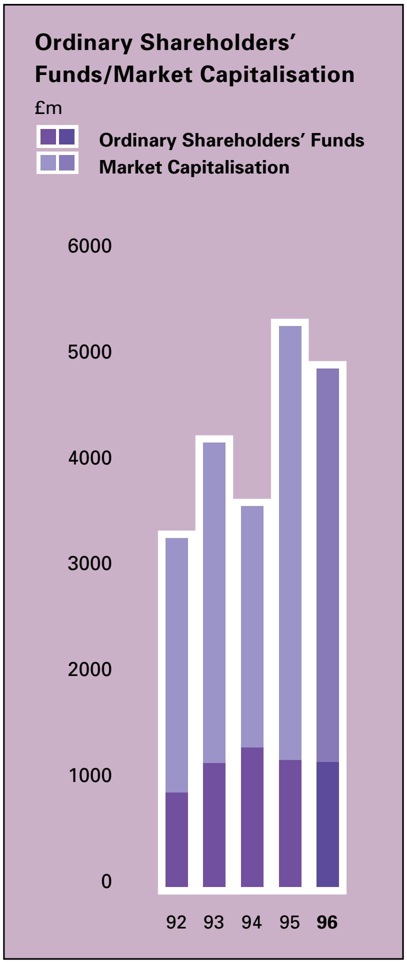
Table 4



Net Assets by currency



External Borrowings by currency



on the redemption value of the US$ Auction Preference Shares) and goodwill write-offs of £104 million offset by retained profit of £169 million and share issues of £33 million.

The Group calculates the cost of brands acquired by applying a multiple (which reflects growth rates and the cost of capital) to the average net earnings from brands over a period of years. No amortisation of brands is charged as the annual results reflect significant expenditure in support of the brands and the values are reviewed annually with a view to write down if permanent diminution arises. This approach is consistent with the proposals in Financial Reporting Exposure Draft 12, "Goodwill and Intangible Assets" issued by the Accounting Standards Board in June 1996.

The Company's Ordinary Shares traded in the range of 470 to 561 pence during the year and were 487 pence at year end compared with 532 pence in December 1995. Although the FT-SE 100 index rose by 11% during the year and the food producer's price index rose by 5%, the Company's share price has been adversely affected by uncertainty relating to the CCSB disposal, concern with competitive pressure in the North American beverages market and by the weakening of all major currencies against sterling towards the end of the year.

In May 1996 the Group's shares commenced trading on the New York Stock Exchange under the ticker symbol CSG, in light of increased profit contribution from North America and a greater demand for the Group's shares by US investors.

Summary

The underlying earnings per share growth and cash flow generation during 1996 demonstrated the Group's continuing strong financial performance. With the sale of CCSB, we commenced the 1997 financial year with a strong financial position and flexibility to take advantage of future opportunities. We will continue to make strategic investments in the business to enhance long term growth and performance for our shareholders.

Financial Ratios and Stream Analysis

			1996	1995	1994
Earnings per Ordinary Share – FRS 3		p	**34.1**	31.3	30.2
– Underlying		p	**34.1**	29.9	30.2
Dividends per Ordinary Share		p	**17.0**	16.0	15.0
Interest cover		times	**6.1**	5.2	12.0
Dividend cover		times	**2.0**	1.9	2.0
Gearing ratio		%	**92**	102	24
Sales	Beverages	£m	**2,875**	2,809	2,203
	Confectionery	£m	**2,240**	1,967	1,827
Trading profit*	Beverages	£m	**445**	409	293
	Confectionery	£m	**267**	240	235
Operating assets	Beverages	£m	**469**	526	591
	Confectionery	£m	**1,028**	995	863
Trading margin*	Beverages	%	**15.5**	14.6	13.3
	Confectionery	%	**11.9**	12.2	12.9
Operating asset turnover	Beverages	times	**5.8**	5.0	3.6
	Confectionery	times	**2.2**	2.1	2.3

Underlying EPS $$\frac{\text{Profit for the Financial Year excluding disposal gains and losses}}{\text{Weighted average number of Ordinary Shares in issue}}$$

Interest cover $$\frac{\text{Trading profit}}{\text{Net interest charge}}$$

Dividend cover $$\frac{\text{Underlying Earnings per Ordinary Share}}{\text{Dividend per Ordinary Share}}$$

Gearing ratio $$\frac{\text{Net borrowings}}{\text{Ordinary Shareholders' funds** + Equity minority interests}}$$

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

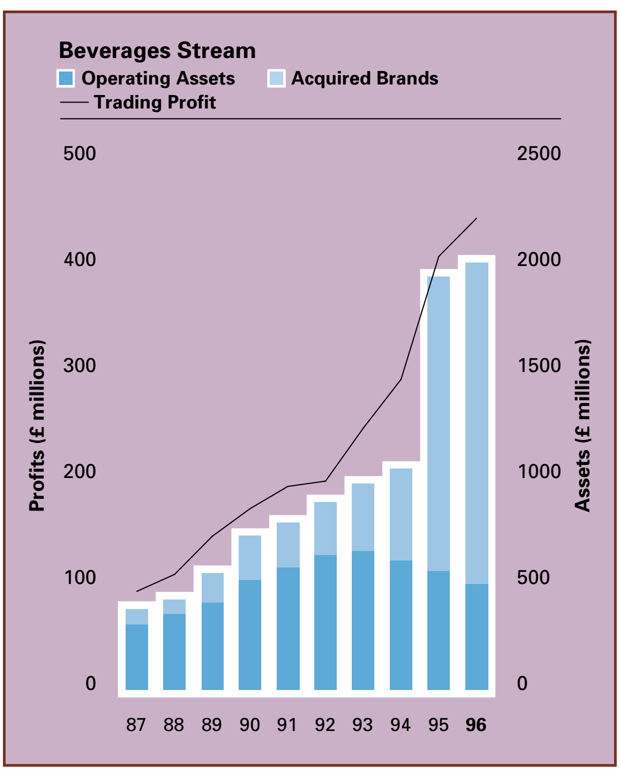
Trading margin $$\frac{\text{Trading profit*}}{\text{Sales}}$$

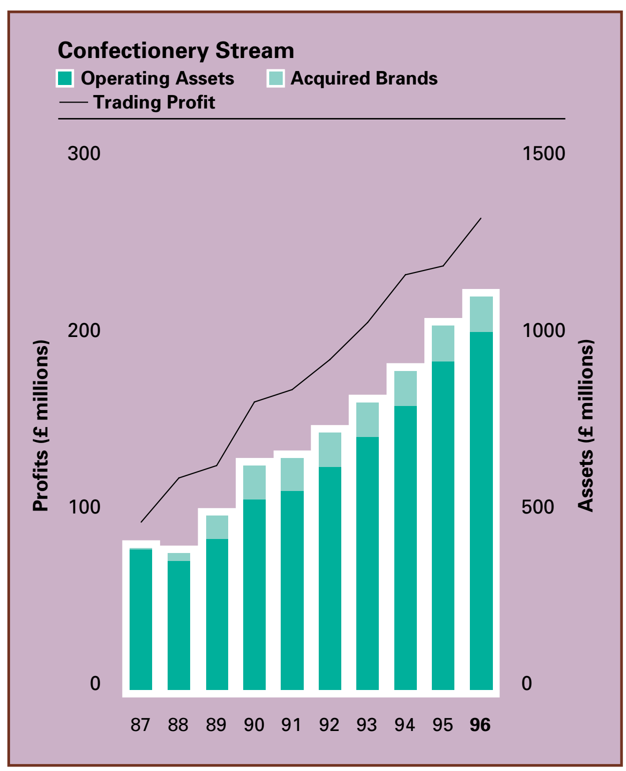
Operating asset turnover $$\frac{\text{Sales}}{\text{Average operating assets}}$$

*Excluding restructuring costs (see Note 3)

**After stating preference shares at their redemption value (see Note 22(e))

1993	1992	1991	1990	1989	1988	1987
29.4	25.4	26.0	23.9	25.0	25.5	18.7
28.3	25.4	26.0	23.9	22.8	18.4	18.4
13.8	12.5	11.8	10.9	10.1	8.7	7.6
10.1	7.3	6.4	5.9	8.8	13.4	18.8
2.0	2.0	2.2	2.2	2.3	2.1	2.4
27	37	40	50	63	(1	22
2,065	1,903	1,845	1,823	1,659	1,352	1,206
1,660	1,469	1,387	1,323	1,118	1,008	917
247	197	192	171	145	108	93
208	187	170	163	127	119	95
628	682	588	565	468	354	362
743	686	576	548	531	324	405
12.0	10.4	10.4	9.4	8.7	8.0	7.7
12.5	12.7	12.3	12.3	11.4	11.8	10.4
3.2	3.0	3.2	3.5	4.0	3.8	3.2
2.3	2.3	2.5	2.5	2.6	2.8	2.2





Group Financial Record

Sales and Profits	1996 £m	1995 £m	1994 £m
Sales			
United Kingdom	**1,893**	1,830	1,729
Europe	**879**	890	775
Americas	**1,456**	1,222	767
Pacific Rim	**614**	575	539
Africa & Others	**273**	259	220
	5,115	4,776	4,030
Operating Profit			
United Kingdom	**247**	232	231
Europe	**60**	72	75
Americas	**304**	261	132
Pacific Rim	**87**	75	67
Africa & Others	**45**	37	38
	743	677	543
Major restructuring*	**(41)**	(49)	(23)
	702	628	520
Sale of properties and investments	**–**	14	–
Net interest	**(110)**	(116)	(42)
Profit before Taxation	**592**	526	478
Taxation	**(180)**	(158)	(155)
Minority interests and Preference dividends	**(72)**	(68)	(61)
Profit for the Financial Year	**340**	300	262
Dividends to Ordinary Shareholders	**(171)**	(159)	(131)
Profit Retained for the Financial Year	**169**	141	131

*Includes acquisition-related restructuring from 1995 onwards (prior to this such costs were included in goodwill)

Cash Flows*	1996 £m	1995 £m	1994 £m
Operating activities	**869**	791	674
Capital expenditure	**(256)**	(227)	(222)
Interest and tax	**(262)**	(212)	(173)
Dividends	**(214)**	(151)	(193)
Free cash flow	**137**	201	86
Acquisitions, disposals and investments	**(153)**	(1,170)	(84)
Cash flow before financing	**(16)**	(969)	2

*Cash flow statements were not prepared prior to 1990

Balance Sheets	1996 £m	1995 £m	1994 £m
Assets Employed:			
Intangible fixed assets	**1,547**	1,689	522
Tangible fixed assets	**1,398**	1,432	1,346
Fixed asset investments	**69**	60	200
Working capital	**(7)**	(25)	25
Provisions	**(106)**	(125)	(115)
	2,901	3,031	1,978
Financed by:			
Net borrowings	**1,227**	1,344	351
Minority interests	**387**	371	128
Preference share capital*	**104**	113	180
Ordinary Shareholders' funds	**1,183**	1,203	1,319
	2,901	3,031	1,978

*Stated at redemption value

1993 £m	1992 £m	1991 £m	1990 £m	1989 £m	1988 £m	1987 £m
1,614	1,546	1,506	1,476	1,258	1,024	942
741	701	656	638	480	391	344
644	513	438	404	372	387	423
508	448	491	495	546	461	320
218	164	141	133	121	97	94
3,725	3,372	3,232	3,146	2,777	2,360	2,123
195	186	160	143	99	86	82
69	55	80	68	59	46	40
101	72	42	43	36	19	23
69	56	64	58	61	50	35
34	29	25	18	18	16	11
468	398	371	330	273	217	191
(19)	(13)	–	–	–	(13)	–
449	385	371	330	273	204	191
10	(1)	1	4	17	95	3
(43)	(51)	(57)	(57)	(31)	(17)	(10)
416	333	315	277	259	282	184
(129)	(94)	(88)	(78)	(70)	(98)	(57)
(50)	(43)	(34)	(26)	(17)	(23)	(14)
237	196	193	173	172	161	113
(117)	(98)	(88)	(80)	(76)	(55)	(47)
120	98	105	93	96	106	66

1993 £m	1992 £m	1991 £m	1990 £m
612	506	459	444
(183)	(170)	(184)	(185)
(139)	(141)	(116)	(140)
(105)	(95)	(90)	(79)
185	100	69	40
(480)	(251)	(48)	(182)
(295)	(151)	21	(142)

1993 £m	1992 £m	1991 £m	1990 £m	1989 £m	1988 £m	1987 £m
546	385	308	304	307	104	77
1,288	1,241	1,054	979	821	602	587
196	42	34	17	25	21	16
(65)	7	(20)	44	68	17	115
(98)	(83)	(54)	(96)	(116)	(66)	(29)
1,867	1,592	1,322	1,248	1,105	678	766
357	378	333	364	425	(3)	136
145	130	112	116	85	91	77
192	189	156	152	–	3	3
1,173	895	721	616	595	587	550
1,867	1,592	1,322	1,248	1,105	678	766

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 below, 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 the Group as at the end of the financial year and of the profit or loss for the financial year.

The Directors consider that in preparing the financial statements the Company has 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 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 on Financial Statements

To the Shareholders of Cadbury Schweppes plc

We have audited the financial statements on pages 57 to 88 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 57 to 59.

Respective responsibilities of directors and auditors

As described above the Company's Directors are responsible for the preparation of the financial statements and it is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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 mis-statement, 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 give a true and fair view of the state of affairs of the Company and of the Group at 28 December 1996 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.

Arthur Andersen
Chartered Accountants and Registered Auditors
London
5 March 1997

Accounting Policies

(a) Accounting convention

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

(b) Financial year

The annual accounts are made up to the Saturday nearest to 31 December. Periodically this results in a financial year of 53 weeks.

(c) Basis of consolidation

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

(d) 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 accounts on the basis of the fair value to the Group as at the effective date of control.

Goodwill, being any excess of the consideration over that fair value, is 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.

(e) 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 retained profits to closing rates are dealt with as movements on reserves.

(f) Turnover

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

(g) Research and development expenditure

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

(h) Earnings per Ordinary Share

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.

Accounting Policies

continued

(i) 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 accounts 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.

(j) 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 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.

(k) 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 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.

Investment and development grants are shown as deferred income, and credited to the profit and loss account by instalments on a basis consistent with the depreciation policy.

Returnable containers are included in fixed assets at cost. Depreciation is charged to reflect estimated loss or breakage rates in each market.

Interest costs incurred in funding major capital construction programmes are capitalised during the construction period and depreciated over the life of the related asset.

(l) 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 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 profit and loss account. All other leases are "operating leases" and the relevant annual rentals are charged wholly to profit and loss account.

(m) Revaluation of properties

Freehold and leasehold properties are revalued every five years. Any overall surplus over book value is credited to the revaluation reserve and any overall deficit below historical cost is charged to the profit and loss account in the year of revaluation. In subsequent years transfers are made to retained profits 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.

(n) Intangibles

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 values are reviewed annually with a view to write down if a permanent diminution arises.

(o) Associated undertakings

All companies where the Group has significant influence, normally both board representation and 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 operating profit. All associated undertakings have financial years which are coterminous with the Group's, with the exception of Camelot Group plc and Amalgamated Beverages Industries (Pty) Ltd ("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 financial statements to 30 September.

(p) 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.

(q) Liquid resources

The Group has adopted the provisions of Financial Reporting Standard 1 as revised in October 1996 and restated the 1995 cash flow statement accordingly. In accordance with this revised standard, 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 and bond investments.

Group Profit and Loss Account

for the 52 weeks ended 28 December 1996 (Note 1)

Notes		1996 £m	1995 £m
	Turnover*		
	Continuing operations	**4,194**	3,883
2	Discontinued operations	**921**	893
		5,115	4,776
	Operating costs		
4	Trading expenses	**(4,403)**	(4,127)
3	Major restructuring costs	**(41)**	(49)
		(4,444)	(4,176)
	Trading Profit*		
	Continuing operations	**547**	480
2	Discontinued operations	**124**	120
		671	600
	Share of profits of associated undertakings	**31**	28
	Operating Profit	**702**	628
5	Sale of properties and investments	**–**	14
	Profit on Ordinary Activities Before Interest	**702**	642
8	Net interest	**(110)**	(116)
4	**Profit on Ordinary Activities Before Taxation**	**592**	526
9	Tax on profit on ordinary activities	**(180)**	(158)
	Profit on Ordinary Activities After Taxation	**412**	368
23	Equity minority interests	**(44)**	(43)
23	Non-equity minority interests	**(23)**	(16)
10	Preference dividends	**(5)**	(9)
	Profit for the Financial Year		
	Continuing operations	**302**	264
2	Discontinued operations	**38**	36
		340	300
10	Dividends to Ordinary Shareholders	**(171)**	(159)
	Profit Retained for the Financial Year	**169**	141
11	**Earnings per Ordinary Share of 25p**		
	– FRS 3	**34.1p**	31.3p
	– Underlying	**34.1p**	29.9p

*The stream and geographical analysis of turnover and trading profit is on page 64 and shows trading profit of £712m (1995: £649m) which is stated before major restructuring costs.

Recognised Gains and Losses
Movements in Shareholders' Funds

for the 52 weeks ended 28 December 1996 (Note 1)

		1996 £m	1995 £m
Statement of Total Recognised Gains and Losses	Cadbury Schweppes plc	**130**	64
	Subsidiary undertakings	**199**	227
	Associated undertakings	**11**	9
	Profit for the Financial Year	**340**	300
	Currency translation differences	**(124)**	(10)
	Property revaluation	**–**	(8)
	Total Recognised Gains and Losses for the Year	**216**	282

		1996 £m	1995 £m
Reconciliation of Movements in Shareholders' Funds	Total recognised gains and losses for the year	**216**	282
	Dividends to Ordinary Shareholders	**(171)**	(159)
	New share capital subscribed	**33**	412
	Goodwill written off	**(104)**	(645)
	Redemption of Series 1 and 2 Preference Shares (see Note 22(e))	**–**	(71)
	Other	**(3)**	(2)
	Net decrease in Shareholders' Funds	**(29)**	(183)
	Shareholders' Funds at beginning of year	**1,316**	1,499
	Shareholders' Funds at end of year	**1,287**	1,316

Balance Sheets

at 28 December 1996 (Note 1)

Notes		Group 1996 £m	Group 1995 £m	Company 1996 £m	Company 1995 £m
	Fixed Assets				
12	Intangible assets	**1,547**	1,689	**–**	–
13	Tangible assets	**1,398**	1,432	**16**	13
14	Investments	**69**	60	**4,194**	2,202
		3,014	3,181	**4,210**	2,215
	Current Assets				
15	Stocks	**436**	435	**–**	–
16	Debtors – due within one year	**827**	771	**136**	1,185
	– due after one year	**64**	79	**29**	18
18	Investments	**75**	64	**–**	–
18	Cash at bank and in hand	**91**	65	**–**	–
		1,493	1,414	**165**	1,203
	Current Liabilities				
	Creditors: amounts falling due within one year				
17	Borrowings	**(596)**	(609)	**(1,567)**	(750)
19	Other	**(1,306)**	(1,266)	**(204)**	(155)
	Net Current Assets (Liabilities)	**(409)**	(461)	**(1,606)**	298
	Total Assets less Current Liabilities	**2,605**	2,720	**2,604**	2,513
	Non-current Liabilities				
	Creditors: amounts falling due after more than one year				
17	Borrowings	**(797)**	(864)	**(1,010)**	(910)
19	Other	**(28)**	(44)	**–**	–
20	Provisions for liabilities and charges	**(106)**	(125)	**(2)**	(3)
		(931)	(1,033)	**(1,012)**	(913)
		1,674	1,687	**1,592**	1,600
	Capital and Reserves				
	Attributable to equity interests				
22	Called up share capital	**250**	248	**250**	248
22	Share premium account	**838**	807	**838**	807
22	Revaluation reserve	**76**	85	**1**	1
22	Profit and loss account	**36**	89	**416**	457
		1,200	1,229	**1,505**	1,513
	Attributable to non-equity interests				
22	Called up share capital	**–**	–	**–**	–
22	Share premium account	**87**	87	**87**	87
		1,287	1,316	**1,592**	1,600
	Minority Interests				
23	Equity minority interests	**158**	121	**–**	–
23	Non-equity minority interests	**229**	250	**–**	–
		387	371	**–**	–
		1,674	1,687	**1,592**	1,600

On behalf of the Board
Directors: N D Cadbury
D J Kappler
5 March 1997

Group Cash Flow Statement

for the 52 weeks ended 28 December 1996 (Note 1)

Notes		1996 £m	1995 £m
18	**Cash flow from operating activities**	**869**	791
	Returns on investments and servicing of finance		
	Interest paid	**(123)**	(120)
	Interest received	**17**	19
	Dividends paid to minority interests	**(60)**	(87)
	Dividends paid on Cadbury Schweppes plc Preference Shares	**(5)**	(9)
		(171)	(197)
	Taxation	**(156)**	(111)
	Capital expenditure and financial investments		
	Purchases of tangible fixed assets	**(262)**	(237)
	Disposals of tangible fixed assets	**6**	10
	Disposals of long term investments	**–**	3
		(256)	(224)
	Acquisitions and disposals		
24	Acquisitions of businesses	**(135)**	(1,173)
20	Expenditure on post-acquisition restructuring	**(18)**	(26)
	Proceeds from sale of investments in subsidiary undertakings	**–**	26
		(153)	(1,173)
	Dividends paid to ordinary shareholders	**(149)**	(55)
	Cash outflow before use of liquid resources and financing	**(16)**	(969)
	Management of liquid resources		
	Net change in bank deposits	**(24)**	85
	Net change in bond investments	**(5)**	36
	Sale of money market fund	**13**	–
		(16)	121
	Financing		
18	Issues of Ordinary Shares	**20**	407
22	Redemption of Preference Shares	**–**	(65)
23	Issue of preferred securities by a subsidiary undertaking	**–**	245
	Issues of shares to minorities in subsidiary undertakings	**6**	7
	Proceeds of new borrowings	**395**	560
	Borrowings repaid	**(368)**	(394)
	Proceeds of finance leases	**4**	–
	Capital element of finance leases repaid	**(11)**	(14)
	Net cash inflow from financing	**46**	746
	Increase/(decrease) in cash	**14**	(102)
	Free cash flow		
	Cash outflow before use of liquid resources and financing	**(16)**	(969)
	Add back:		
	Cash flows on acquisitions and disposals	**153**	1,173
	Cash flows from long term investments	**–**	(3)
	Free cash flow	**137**	201
	Less: one-off saving from enhanced scrip dividend	**–**	(101)
	Underlying free cash flow	**137**	100

Sales, Trading Profit, Operating Assets and Trading Margin Analysis

for the 52 weeks ended 28 December 1996 (Note 1)

1996

	Total £m	United Kingdom £m	Europe £m	Americas £m	Pacific Rim £m	Africa & Others £m
Sales*						
Beverages	**2,875**	**952**	**415**	**1,194**	**228**	**86**
Confectionery	**2,240**	**941**	**464**	**262**	**386**	**187**
	5,115	**1,893**	**879**	**1,456**	**614**	**273**
Trading Profit*†						
Beverages	**445**	**113**	**27**	**271**	**20**	**14**
Confectionery	**267**	**118**	**28**	**33**	**67**	**21**
	712	**231**	**55**	**304**	**87**	**35**
Operating Assets*						
Beverages	**469**	**203**	**77**	**95**	**74**	**20**
Confectionery	**1,028**	**354**	**251**	**95**	**230**	**98**
	1,497	**557**	**328**	**190**	**304**	**118**
Trading Margin†	%	%	%	%	%	%
Beverages	**15.5**	**11.9**	**6.5**	**22.7**	**8.8**	**16.3**
Confectionery	**11.9**	**12.5**	**6.0**	**12.6**	**17.4**	**11.2**
	13.9	**12.2**	**6.3**	**20.9**	**14.2**	**12.8**

*United Kingdom beverages includes sales, trading profit and operating assets of £921m, £124m and £214m, respectively, relating to discontinued operations
†Excluding restructuring costs of £41m (see Note 3)

1995

	Total £m	United Kingdom £m	Europe £m	Americas £m	Pacific Rim £m	Africa & Others £m
Sales*						
Beverages	2,809	937	461	1,096	228	87
Confectionery	1,967	893	429	126	347	172
	4,776	1,830	890	1,222	575	259
Trading Profit*†						
Beverages	409	113	29	240	15	12
Confectionery	240	108	36	21	60	15
	649	221	65	261	75	27
Operating Assets*						
Beverages	526	183	149	89	88	17
Confectionery	995	353	249	63	229	101
	1,521	536	398	152	317	118
Trading Margin†	%	%	%	%	%	%
Beverages	14.6	12.0	6.3	21.8	6.8	14.1
Confectionery	12.2	12.2	8.4	16.7	17.3	8.6
	13.6	12.1	7.3	21.3	13.1	10.4

*United Kingdom beverages includes sales, trading profit and operating assets of £893m, £120m and £199m, respectively, relating to discontinued operations
†Excluding restructuring costs of £49m (see Note 3)

The sales analysis for 1996 and 1995 shown above is based on geographical origin and is not materially different to sales by geographical destination.

Notes on the Accounts

1 Group Accounts

The profit and loss accounts cover the 52 weeks from 31 December 1995 to 28 December 1996 and the 52 weeks from 1 January 1995 to 30 December 1995. The balance sheets for 1996 and 1995 have been drawn up at 28 December 1996 and 30 December 1995 respectively.

2 Disposal of Coca-Cola & Schweppes Beverages Ltd

On 10 February 1997, the Group concluded the disposal of its 51% share in Amalgamated Beverages Great Britain Ltd, the parent company of Coca-Cola & Schweppes Beverages Ltd ("CCSB") for £623m, including £458m of loan notes at 5.75% due January 1998 and dividend payments of £140m. Tax arising on the disposal is not expected to be payable until 1999.
The net gain on disposal is not expected to be less than £300m. The operating results of CCSB have been separately reported as discontinued operations in the profit and loss account for 1996 and 1995.
The assets and liabilities of CCSB which were consolidated in the Group Balance Sheet at 28 December 1996 were as follows:

	£m
Fixed assets	197
Other assets and liabilities	6
Net borrowings	(23)
Minority interests	(88)
Group share	92

The cash flows resulting from CCSB's 1996 operations included in the Group Cash Flow Statement are as follows:

	£m
Cash flow from operating activities	
Operating profit	124
Depreciation	36
Other non-cash items and changes in working capital	16
	176
Returns on investments and servicing of finance	
Net interest paid	(7)
Minority dividend paid	(33)
	(40)
Taxation	(70)
Capital expenditure	(41)
Cash inflow before use of liquid resources and financing	25

3 Major Restructuring Costs

In March 1996 Schweppes France entered into a 50:50 joint venture agreement with San Benedetto, the Italian producer of mineral water and soft drinks, for the manufacture of both companies' products in France. During 1996 the Group provided £36m for the restructuring of the existing operations of Schweppes France including £24m of asset write down. Additionally, the 1996 results include £5m of restructuring costs relating to the Neilson Cadbury and Craven Keiller acquisitions (see Note 24). The 1995 results include acquisition-related restructuring costs of £49m, primarily related to the purchase of Dr Pepper/Seven-Up.

Notes on the Accounts

continued

4 Operating costs

(a) Operating costs are analysed as follows:

1996	Existing businesses £m	Discontinued operations £m	Acquisitions £m	**Total £m**
Cost of sales	2,035	607	70	**2,712**
Distribution costs, including marketing	1,057	159	25	**1,241**
Administration expenses	408	31	11	**450**
Major restructuring costs	36	–	5	**41**
	3,536	797	111	**4,444**

1995	Existing businesses £m	Discontinued operations £m	Total £m
Cost of sales	1,919	597	2,516
Distribution costs, including marketing	1,055	146	1,201
Administration expenses	378	30	408
Other operating charges	2	–	2
Major restructuring costs	49	–	49
	3,403	773	4,176

(b) Profit on ordinary activities after taxation

	1996 £m	1995 £m
Profit on ordinary activities after taxation is after charging:		
Depreciation on owned assets including container usage	**165**	144
Depreciation on assets under finance lease	**18**	21
Auditors' remuneration – audit	**2**	2
– other services	**1**	1

In addition, in 1995 fees of £1m were paid to the auditors in respect of acquisitions and were included as part of the cost of acquisitions.

	1996 £m	1995 £m
Research and development costs	**21**	18
Operating lease rentals – property	**27**	24
– plant and equipment	**26**	25

5 Sale of properties and investments

The net profit on sale of properties and investments of £14m in 1995 includes £13m arising on the disposal of the majority of the equity of ITnet Ltd. There was tax payable of £1m related to this disposal.

6 Employees and Emoluments

Emoluments of employees, including directors, comprised:	**1996 £m**	1995 £m
Wages and salaries	**670**	623
Social security costs	**83**	76
Other pension costs	**34**	32
	787	731

A geographical analysis of the number of employees is given in the Report of the Directors.

7 Directors' Remuneration

The information required by the Companies Act 1985 and the London Stock Exchange Listing Rules is contained in Sections 3 and 4 of the Report of the Remuneration Committee on pages 42 to 45.

8 Net Interest

	1996 £m	1995 £m
Bank and other loans not wholly repayable within five years	**35**	23
Bank and other loans wholly repayable within five years	**80**	39
Commercial paper	**16**	30
Finance leases	**4**	5
Bank overdrafts and other short term borrowings	**6**	20
Accretion of 11.5% Senior Subordinated Discount Notes 2002	**–**	20
	141	137
Less: Interest capitalised (see Note 13)	**(2)**	(2)
Less: Interest on short term investments	**(29)**	(19)
	110	116

9 Tax on Profit on Ordinary Activities

	1996 £m	1995 £m
UK:		
Corporation tax at 33%	**98**	76
Double tax relief	**(28)**	(15)
Deferred tax (see Note 21)	**10**	17
Associated undertaking	**5**	5
	85	83
Overseas:		
Tax payable (including withholding taxes)	**75**	51
Deferred tax (see Note 21)	**29**	17
Associated undertakings	**4**	5
	108	73
Under/(over) provision in previous years		
– current tax	**(6)**	(3)
– deferred tax (see Note 21)	**(7)**	5
	180	158

The charge of £180m (1995: £158m) has been increased by £3m (1995: reduced by £7m) in respect of tax at the current year's rate on timing differences for which deferred tax has not been provided. The French restructuring costs (see Note 3) include £24m of asset write downs which do not involve any cash outflow and for which no tax relief is available.

10 Dividends

	1996 £m	1995 £m
Ordinary Shares – interim 5.2p per share paid (1995: 4.9p per share)	**53**	49
– final 11.8p per share proposed (1995: final 11.1p per share)	**118**	110
Preference shares (see Note 22(e))	**5**	9
	176	168

The interim dividend was paid on 22 November 1996.

11 Earnings per Ordinary Share

(a) Earnings per Ordinary Share ("EPS") is calculated on the weighted average of 996 million shares (1995: 958 million) in issue during the year.

(b) The earnings used in calculating the FRS 3 and underlying EPS figures were as follows:

	1996 £m	1995 £m
Earnings – FRS 3	**340**	300
Less: profit on sale of subsidiaries, net of tax	**–**	(14)
Underlying earnings	**340**	286

(c) If all the shares to be issued under the share option schemes were to be included, the FRS 3 and underlying earnings per share would not be materially affected.

12 Intangible Assets

	1996 £m	1995 £m
Cost at beginning of year	**1,689**	522
Exchange rate adjustments	**(142)**	35
Addition	**–**	1,132
	1,547	1,689

13 Tangible Fixed Assets

The movements in tangible fixed assets were as follows:

	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	493	1,718	125	9	10
Exchange rate adjustments	(34)	(95)	(6)	–	–
Additions	4	89	156	–	4
Acquisitions of subsidiaries	6	22	–	–	–
Transfers on completion	27	135	(162)	–	–
Disposals	(8)	(79)	–	(1)	–
At end of year	488	1,790	113	8	14
Depreciation					
At beginning of year	(11)	(893)	–	(2)	(4)
Exchange rate adjustments	–	43	–	–	–
Depreciation for year	(11)	(172)	–	–	(1)
Disposals	1	50	–	1	–
At end of year	(21)	(972)	–	(1)	(5)
Net book value at beginning of year	482	825	125	7	6
Net book value at end of year	467	818	113	7	9

13 Tangible Fixed Assets continued

Disposals include the £24m write down of assets related to the restructuring of Schweppes France (see Note 3) and the subsequent transfer of £8m of assets to the joint venture (see Note 14).

Additions to assets in course of construction include interest capitalised in the year of £2m (1995: £2m). Cumulative interest capitalised on capital borrowed to fund construction is £7m (1995: £5m).

The value of land not depreciated is £143m (1995: £152m).

The net book value of plant and equipment held under finance leases was £89m (1995: £101m).

Plant and equipment also includes returnable containers of £38m (1995: £45m) whose value at most recent purchase price would be £56m (1995: £65m).

Land and buildings

	Group		Company	
	1996 £m	1995 £m	**1996 £m**	1995 £m
Analysis of net book value:				
Freehold	**417**	455	**4**	4
Long leasehold	**32**	17	**3**	3
Short leasehold	**18**	10	**–**	–
	467	482	**7**	7
Analysis of gross value:				
At 1995 valuation – Existing use	**368**	392	**8**	5
– Alternative use	**10**	20	**–**	–
At cost	**110**	81	**–**	4
	488	493	**8**	9

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:

	Group		Company	
	1996 £m	1995 £m	**1996 £m**	1995 £m
Land and buildings at cost	**372**	396	**7**	7
Accumulated depreciation thereon	**(78)**	(82)	**(1)**	(1)
	294	314	**6**	6
Depreciation charge for the year	**6**	5	**–**	–

Commitments for capital expenditure contracted for but not provided in the Group accounts at the end of the year were £23m in 1996 and £26m in 1995 (nil for the Company in both years).

14 Investments

(a) Analysis

	Group		Company	
	1996 £m	1995 £m	**1996 £m**	1995 £m
Shares in subsidiary undertakings	**–**	–	**505**	487
Loans to subsidiary undertakings	**–**	–	**3,678**	1,704
Shares in associated undertakings – Listed overseas	**23**	24	**–**	–
– Unlisted	**45**	34	**11**	11
Other unlisted investments other than loans	**1**	2	**–**	–
	69	60	**4,194**	2,202

Details of the principal subsidiary and associated undertakings are set out in Note 32.

Other unlisted investments includes the Group's 12½% interest in ITnet Ltd, a former subsidiary.

During the year the Group purchased computer services from ITnet Ltd with a total value of £16m.

Notes on the Accounts

continued

14 Investments continued

(b) The movements during the year of investments in associated undertakings in the Group balance sheet were as follows:

	Listed overseas £m	Unlisted £m
Cost at beginning of year	9	31
Exchange rate adjustments	(1)	(3)
Additions	–	8
Cost at end of year	8	36
Share of reserves at beginning of year	15	3
Exchange rate adjustments	(4)	(1)
Share of profits after tax	6	16
Dividends received	(2)	(9)
Share of reserves at end of year	15	9
Net book value at beginning of year	24	34
Net book value at end of year	23	45
Market value of listed investments	84	
Tax liability if sold at this value	9	

The net book value of associated undertakings is represented by the Group share of net assets. The additions to associated undertakings represent the Group's investment in L'Européenne d'Embouteillage SNC, the joint venture between Schweppes France and San Benedetto (see Note 3).
The Group's investment in Camelot Group plc, the UK National Lottery Operator, is included in unlisted associated undertakings.

(c) The movements during the year of investments held by the Company were as follows:

	Shares Associated undertakings £m	Shares Subsidiary undertakings £m	Loans Subsidiary undertakings £m
Cost at beginning of year	11	513	1,704
Additions	–	18	1,974
Cost at end of year	11	531	3,678
Amounts written off at beginning and end of year	–	(26)	–
Net book value at beginning of year	11	487	1,704
Net book value at end of year	11	505	3,678

15 Stocks

	Group 1996 £m	Group 1995 £m
Raw materials and consumables	**154**	152
Work in progress	**33**	36
Finished goods and goods for resale	**249**	247
	436	435

16 Debtors

	Group 1996 £m	Group 1995 £m	Company 1996 £m	Company 1995 £m
Trade debtors	**643**	607	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**91**	1,162
Amounts owed by associated undertakings	**3**	5	**–**	–
Tax recoverable – within one year	**40**	39	**28**	19
– after more than one year	**45**	26	**20**	10
Other debtors – receivable within one year	**80**	69	**14**	2
– receivable after more than one year	**11**	13	**9**	8
Prepayments and accrued income	**61**	51	**3**	2
Deferred taxation – recoverable after more than one year (see Note 21)	**8**	40	**–**	–
	891	850	**165**	1,203

Amounts are receivable within one year unless otherwise indicated.

17 Borrowings

Group	1996 Amounts due within one year £m	1996 Amounts due after one year £m	1995 Amounts due within one year £m	1995 Amounts due after one year £m
Secured				
Bank overdrafts	**1**	**–**	2	–
Other loans	**13**	**3**	26	12
Unsecured				
5.875% Notes 1998 (US$200m)	**–**	**118**	–	129
8.5% Guaranteed Notes 1999 (A$75m)	**–**	**35**	–	36
6.25% Notes 1999 (US$300m)	**–**	**177**	–	193
8% Notes 2000 (£150m)	**–**	**140**	–	149
5.125% Guaranteed Notes 2001 (DM300m)	**–**	**120**	–	–
11.5% Senior Subordinated Discount Notes 2002 (US$39m)	**23**	**–**	185	23
Obligations under perpetual loan (FFr 894m)	**8**	**93**	9	117
Obligations under fixed rate notes	**15**	**61**	13	76
Commercial paper (A$124m and £161m)	**219**	**–**	93	–
Master notes (US$250m)	**148**	**–**	161	–
Bank loans in foreign currencies	**39**	**13**	39	29
Bank overdrafts	**50**	**–**	39	–
Other loans	**43**	**3**	27	60
Obligations under finance leases (see Note 25)	**9**	**34**	11	40
Acceptance credits	**28**	**–**	4	–
	596	**797**	609	864

17 Borrowings
continued

		1996		1995	
		Amounts due within one year £m	Amounts due after one year £m	Amounts due within one year £m	Amounts due after one year £m
Company	**Unsecured**				
	5.875% Notes 1998 (US$200m)	**–**	**118**	–	129
	6.25% Notes 1999 (US$300m)	**–**	**177**	–	193
	8% Notes 2000 (£150m)	**–**	**140**	–	149
	Commercial Paper	**161**	**–**	18	–
	Loans from subsidiary undertakings	**1,403**	**575**	730	378
	Bank overdraft	**2**	**–**	1	–
	Bank loans in foreign currencies	**–**	**–**	–	4
	Other loans	**1**	**–**	1	57
		1,567	**1,010**	750	910

At 28 December 1996, the Group's net borrowings were £1,227m (1995: £1,344m) after taking account of cash and liquid resources totalling £166m (1995: £129m).

The Group's borrowings limit at 28 December 1996 calculated in accordance with the Articles of Association was £7,425m. The lowest limit to which it is subject under its borrowing facilities is £3,018m. The security for the borrowings shown above as secured is by way of charges on the properties of the Group companies concerned.

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 C$279m.

The 11.5% Senior Subordinated Discount Notes 2002 issued by DPSU were marked-to-market on the acquisition of that company. No interest is paid or payable. Almost all of the Notes were redeemed in February 1996 and the balance will be redeemed in November 1997 at which time the issuer has the option to call the Notes.

The obligations under the perpetual loan represent the present value of the future interest payments on the principal amount of FFr 1,600m 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.

Repayments fall due in the following periods:

	Group				Company	
	Bank loans and overdrafts		Other borrowings		Total borrowings	
	1996 £m	1995 £m	**1996 £m**	1995 £m	**1996 £m**	1995 £m
After five years	**55**	80	**10**	23	**530**	260
Between two and five years	**36**	48	**535**	635	**362**	594
Between one and two years	**17**	30	**144**	48	**118**	56
Within one year or on demand	**126**	115	**470**	494	**1,567**	750
	234	273	**1,159**	1,200	**2,577**	1,660

17 Borrowings continued

Analysis of long term borrowings:

	Group		Company	
	1996 £m	1995 £m	**1996 £m**	1995 £m
Borrowings repayable by instalments				
– Within five years	**169**	193	**–**	–
– After five years	**65**	100	**–**	–
	234	293	**–**	–
Borrowings wholly repayable after five years	**–**	3	**530**	260
	234	296	**530**	260

Borrowing facilities

At 28 December 1996, the Group had substantial amounts of undrawn committed borrowing facilities analysed as follows:

	Expiring within one year £m	Extending beyond one year £m
Facilities arranged for the DPSU acquisition	–	592
Revolving Credit Facility	185	–
Other facilities available to the Group		
– in support of commercial paper	94	–
– for other purposes	12	–
	291	592

The facilities arranged for the DPSU acquisition are committed until 26 January 1998.

The Revolving Credit Facility was terminated following the completion of the disposal of CCSB (see Note 2). The other facilities available to the Group are annual facilities subject to review at various dates during each year. There are in addition substantial uncommitted facilities available to the Group.

18 Cash Flow Statement

(a) Net cash inflow from operating activities

	Group	
	1996 £m	1995 £m
Operating profit	**702**	628
Depreciation	**183**	165
Non cash items relating to restructuring provisions	**35**	27
Non cash items relating to retirement benefits	**(4)**	4
Profits before tax of associates less dividends received	**(20)**	(19)
Changes in working capital		
– Stocks	**(17)**	(7)
– Debtors	**(82)**	(63)
– Creditors	**72**	56
	869	791

(b) Share Capital and premium

	1996 £m	1995 £m
At beginning of year	**1,142**	1,084
Cash flow for the year	**20**	342
Transfer on rights issue/enhanced scrip dividend	**–**	(283)
Shares issued for non-cash consideration	**13**	5
Exchange rate adjustment	**–**	(6)
At end of year	**1,175**	1,142

18 Cash Flow Statement continued

(c) Net borrowings

	1996 £m	1995 £m
Net cash – cash at bank and in hand	**91**	65
– bank overdrafts	**(51)**	(41)
	40	24
Liquid resources	**75**	64
Other short term borrowings	**(545)**	(568)
Long term borrowings	**(797)**	(864)
	(1,227)	(1,344)

Reconciliation of net debt

	Total net Borrowings £m	Net cash £m	Liquid resources £m	Borrowings £m
At 1 January 1995	**(351)**	146	194	(691)
Cash flow for the year	**(375)**	(102)	(121)	(152)
Accretion of discount notes	**(20)**	–	–	(20)
Borrowings assumed at acquisition	**(541)**	–	–	(541)
Exchange rate adjustments	**(57)**	(20)	(9)	(28)
At 30 December 1995	**(1,344)**	24	64	(1,432)
Cash flow for the year	**10**	14	16	(20)
Exchange rate adjustments	**107**	2	(5)	110
At 28 December 1996	**(1,227)**	40	75	(1,342)

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

19 Other Creditors

		1996		1995	
		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	**312**	**–**	291	–
	Payments on account	**21**	**–**	26	–
	Bills of exchange	**11**	**–**	17	–
	Tax on profit	**118**	**15**	107	8
	Advance corporation tax	**29**	**–**	45	–
	Other taxes and social security costs	**114**	**–**	103	–
	Accruals and deferred income	**487**	**–**	475	–
	Government grants	**2**	**6**	1	6
	Other creditors	**87**	**7**	53	30
	Proposed dividends – to Ordinary Shareholders	**118**	**–**	110	–
	– to minorities	**7**	**–**	38	–
		1,306	**28**	1,266	44
Company	Amounts owed to subsidiary undertakings	**33**	**–**	1	–
	Tax on profit	**–**	**–**	5	–
	Advance corporation tax	**19**	**–**	16	–
	Accruals and deferred income	**27**	**–**	13	–
	Other creditors	**7**	**–**	10	–
	Proposed dividend to Ordinary Shareholders	**118**	**–**	110	–
		204	**–**	155	–

20 Provisions for Liabilities and Charges

	Group		Company
	Retirement benefits £m	Restructuring £m	£m
At beginning of year	89	36	3
Exchange rate adjustments	(5)	(3)	–
Expenditure in the year	(10)	(24)	–
Asset write down	–	(24)	–
Profit and loss account	6	41	(1)
At end of year	80	26	2

Company provisions include retirement benefits and deferred taxation (see Note 21).
Details of the Group's retirement benefit schemes are given in Note 29.
The charge to the profit and loss account in the year includes £36m in respect of the establishment of the joint venture in France (see Note 3) and £5m in respect of acquisition-related restructuring. The restructuring expenditure in the year includes £7m in respect of 1996 acquisitions and the French restructuring and £17m in respect of prior year acquisitions.

21 Deferred Taxation

The analysis of the deferred tax assets (liabilities) included in the accounts at the end of the year was as follows:

	Group		Company	
Timing differences	**1996 £m**	1995 £m	**1996 £m**	1995 £m
– UK	**(35)**	(22)	**(1)**	(2)
– Overseas	**9**	13	**–**	–
– Unutilised tax losses – overseas	**34**	49	**–**	–
	8	40	**(1)**	(2)

The Group deferred taxation asset is included in debtors (see Note 16) and the Company deferred taxation liability is included in provisions for liabilities and charges (see Note 20).
The unutilised tax losses relate to pre-acquisition losses of DPSU. These losses are available for offset against future profits.

The movement on deferred taxation was as follows:

	Group £m	Company £m
At beginning of year	40	(2)
Exchange rate adjustments	(3)	–
Profit and loss account	(32)	1
Other	3	–
At end of year	8	(1)

Notes on the Accounts

continued

21 Deferred Taxation
continued

The potential liability for deferred taxation not provided comprised:

	Group		Company	
	1996 £m	1995 £m	**1996 £m**	1995 £m
UK accelerated capital allowances	**47**	49	**–**	1
UK property valuations	**7**	7	**1**	1
Other timing differences	**41**	36	**–**	–
	95	92	**1**	2

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 £536m at 28 December 1996. The remittance of these amounts would incur tax at substantially lower than normal rates after giving effect to foreign tax credits.

22 Capital and Reserves

(a) Share Capital of Cadbury Schweppes plc

	1996 £m	1995 £m
Authorised Share Capital:		
Attributable to equity interests:		
Ordinary Shares (1,600 million of 25p each)	**400**	400
Attributable to non-equity interests:		
US$ Preference Shares (750 of US$1,000 each)	**–**	–
Can$ Preference Shares (150 of Can$1,000 each)	**–**	–
	400	400
Allotted and called up Share Capital:		
Attributable to equity interests:		
Ordinary Shares (1,000 million of 25p each, fully paid) (1995: 991 million)	**250**	248
Attributable to non-equity interests:		
US$ Preference Shares (350 of US$1,000 each)	**–**	–
	250	248

(b) Ordinary Shares

During the year 8,879,374 Ordinary Shares of 25p were allotted and issued as follows:

(i) Share dividends	2,518,677
(ii) Share options exercised (see Note 30)	6,344,980
(iii) Bond conversions	5,292
(iv) Share scheme allocations	10,425

The nominal value of Ordinary Shares issued during the year was £2m.

There were no other changes in the issued Ordinary Share Capital of the Company during the year.

22 Capital and Reserves continued

(c) Movements on reserves – Group

	Share premium £m	Revaluation reserve £m	Retained profits £m
At beginning of year	894	85	89
Exchange rate adjustments	–	(7)	(117)
Premiums on shares issued in year	31	–	–
Retained profit for year	–	–	169
Goodwill on acquisitions (see Note 24)	–	–	(104)
Transfer	–	(2)	2
Other	–	–	(3)
At end of year	925	76	36

The historical cost profit for the financial year was £342m (1995: £304m) and the historical cost retained profit was £171m (1995: £145m).

The gain on translation of long term foreign currency borrowings by UK companies was £42m (1995: £3m loss) all of which was taken to reserves, since these borrowings were used to hedge assets and liabilities in the same currencies.

Goodwill written off

Total goodwill written off on businesses continuing within the Group amounts to £1,812m of which £1,683m has been written off since 3 January 1988.

(d) Movements on capital and reserves – Company

	Ordinary Shares £m	Share premium £m	Revaluation reserve £m	Retained profits £m
At beginning of year	248	894	1	457
Share options exercised	1	19	–	–
Share dividends	1	12	–	–
Profit for financial year	–	–	–	130
Dividends to Ordinary Shareholders	–	–	–	(171)
At end of year	250	925	1	416

The profit for the financial year for the Company was £130m (1995: £64m). The historical cost profit for the financial year for the Company was £130m (1995: £64m).

The total recognised gains and losses for the Company are the same as the profit for the financial year. The net decrease in shareholders' funds was £8m.

22 Capital and Reserves continued

(e) Cumulative Perpetual Preference Shares

In 1990 the Company issued 350 US$ Auction Preference Shares (Series 3 to 6) at a price of US$500,000. The dividend rate on each of these shares is reset at auctions normally held every 28 days. The rates of dividend paid during 1996 ranged between 4.19% and 4.87% and at 28 December 1996 the weighted average rate payable was 4.45%.

On 12 February 1997, the Company announced its intention to redeem the US$ Auction Preference Shares at their original issue price of $175m. Redemption will be completed on 25 March 1997.

In 1995 the Company's Series 1 and 2 Preference Shares were redeemed.

(f) Share options

Details of outstanding share options are given in Note 30.

23 Minority Interests

	Equity		Non-Equity	
	1996 £m	1995 £m	**1996 £m**	1995 £m
At beginning of year	**121**	128	**250**	–
Exchange rate adjustments	**(14)**	(1)	**(21)**	5
Share of profit after tax	**44**	43	**23**	16
Dividends declared	**(6)**	(65)	**(23)**	(16)
Acquisitions	**5**	3	**–**	–
New issues	**6**	–	**–**	245
Share of revaluation surplus	**–**	12	**–**	–
Other	**2**	1	**–**	–
At end of year	**158**	121	**229**	250

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

24 Acquisitions

	Local book values £m	Accounting policy harmonis-ation £m	Fair value adjust-ments £m	Fair value Total £m
Intangible fixed assets	6	–	(6)	–
Tangible fixed assets	30	–	(2)	28
Stocks	12	–	–	12
Debtors	18	–	(1)	17
Creditors and provisions	(19)	–	(3)	(22)
Taxation	–	–	1	1
Minority interests	(5)	–	–	(5)
	42	–	(11)	31
Goodwill				104
Cash consideration				135

In January 1996, the Group acquired the trade and assets of Neilson Cadbury (now Cadbury Chocolate Canada Inc.), a chocolate confectionery business based in Toronto, Canada for C$217m (approximately £103m). In May 1996, the Group acquired the trade and assets of a UK confectionery and popcorn business trading as Craven Keiller. The acquisitions contributed £112m of turnover and £6m of trading profit (before restructuring costs) to the 1996 results. On an annual basis, the turnover and trading profit of the 1996 acquisitions were not materially different from the amounts above.

During the course of the year the Group also increased its equity holdings in its confectionery operations in Russia and Pakistan and established a new confectionery subsidiary in Portugal, taking over the trade of the previous distributor. Each of these investments involved payments for goodwill which are included in the table above.

None of the acquisitions are sufficiently material for separate disclosure in the table above.

In March 1995 the Group acquired control of Dr Pepper/Seven-Up Companies, Inc., a beverage company based in Dallas, Texas, US. Compared to the 1995 results, the additional period of trading from this and other 1995 acquisitions, net of disposals, contributed £75m of turnover and £22m of trading profits to the 1996 results.

25 Leasing Commitments

The future minimum lease payments to which the Group was committed as at the year end under finance leases were as follows:

	1996 £m	1995 £m
Within one year	**14**	16
Between one and five years	**35**	39
After five years	**13**	19
	62	74
Less: Finance charges allocated to future periods	**(19)**	(23)
	43	51

The minimum annual lease payments in 1996, to which the Group was committed under non-cancellable operating leases as at the year end, were as follows:

	Property		Plant and Equipment	
	1996 £m	1995 £m	**1996 £m**	1995 £m
On leases expiring:				
Within one year	**1**	2	**5**	5
Between one and five years	**9**	9	**16**	15
After five years	**12**	10	**–**	–
	22	21	**21**	20

26 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 28 December 1996 being £603m (1995: £544m). The Company has also guaranteed certain contingent liabilities of certain undertakings in which it has an equity interest, the maximum liability at 28 December 1996 being £29m (1995: £30m).

(b) Subsidiary undertakings have guarantees and indemnities outstanding amounting to £67m (1995: £30m).

(c) In July 1996 the Group announced that Apollinaris & Schweppes GmbH & Co., its soft drinks joint venture in Germany and Austria with Brau & Brunnen AG, will terminate at the end of 1998. On termination a balancing payment between the parties will be made based on the values of the joint venture assets returned to each party and the relative equity shareholdings.

(d) There is a legal obligation to acquire the remainder of the shares of Trebor Allan Inc. which the Group does not already own in 1999 or, in certain limited circumstances, earlier. The price will be based on the financial performance of the Canadian sugar confectionery operations.

27 Derivatives and other Financial Instruments

Interest rate and currency of borrowings

After taking into account the various interest rate and currency swaps entered into by the Group, the effective currency and interest rate exposure of the Group's borrowings as at 28 December 1996 was as follows:

	Net Borrowings £m	Cash and Liquid Resources £m	Floating Borrowings £m	Fixed Borrowings £m	Fixed Borrowings: Weighted Average Interest Rate %	Fixed Borrowings: Weighted Average time for which Rate is Fixed Years
Sterling	246	(37)	245	38	18.6	3.9
European Exchange Rate Mechanism (ERM)	101	(38)	43	96	3.3	3.6
US Dollar Bloc	755	(49)	486	318	6.2	2.3
Australia/New Zealand	94	(14)	49	59	7.7	1.7
Others	31	(28)	35	24	7.4	0.9
	1,227	(166)	858	535	7.0	2.5

Currency analysis of net assets

The Group's borrowings and net assets by currency at 28 December 1996 were as follows:

	Net Assets by Currency of Operations £m	Net External Borrowings by Currency £m	Effect of Currency Swaps £m	Effective Net External Borrowings by Currency £m	Net Investments £m
Sterling	326	429	(183)	246	80
ERM	376	222	(121)	101	275
US Dollar Bloc	1,220	451	304	755	465
Australia/New Zealand	274	94	–	94	180
Others	214	31	–	31	183
	2,410	1,227	–	1,227	1,183

Net assets exclude net borrowings, minority interests, and preference shares at redemption value. 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.

27 Derivatives and other Financial Instruments continued

Current values of financial instruments

The comparison of current and book values of all the Group's financial instruments as at 28 December 1996 is set out below. Where available, market values have been used to determine current values. Where market values are not available, current values have been calculated by discounting cash flows at prevailing interest and exchange rates.

	Book Value £m	Current Value £m
Cash at bank and in hand	91	91
Liquid resources	75	75
Debt	(1,391)	(1,381)
Derivatives to manage interest rate and currency of borrowings	(2)	(29)
Net borrowings	(1,227)	(1,244)
Quarterly Income Preferred Securities (see Note 23)	(229)	(245)
Derivatives to hedge future transactions	4	3

Hedges of future transactions

The Group has widespread overseas operations but does not hedge profit translation exposures as such hedges can only have a temporary effect. Transactions which create foreign currency cash flows are hedged with either forward contracts or currency options. The term of the currency derivatives is rarely more than one year. The purpose of these hedging activities is to protect the Company from the risk that the eventual net cash inflows resulting from the sale of products to foreign customers and purchases from foreign suppliers will be adversely affected by changes in exchange rates. In the normal course of business the Group enters into forward commitments for the purchase of certain raw materials. Depending on the contract terms, settlement by the counterparties may occur in cash or by physical delivery. Such commitments are entered into only on the basis of forecast requirements.

At 28 December 1996 net unrecognised losses of £1m related primarily to hedges of future transactions which are expected to occur in 1997. Included in the 1996 profit and loss account are £2m of net losses on hedges arising in previous years for transactions which occured during 1996.

28 Foreign Currency Translation

The principal exchange rates used for translation purposes were as follows:

	1996		1995	
	Average	**Closing**	Average	Closing
US dollar	**1.57**	**1.69**	1.58	1.55
Canadian dollar	**2.14**	**2.32**	2.16	2.12
Australian dollar	**2.00**	**2.13**	2.12	2.09
Spanish peseta	**199**	**222**	197	188
French franc	**8.01**	**8.87**	7.92	7.59
Irish punt	**0.98**	**1.01**	0.99	0.97
South African rand	**6.73**	**7.91**	5.73	5.66
Mexican peso	**11.90**	**13.30**	10.01	12.00

29 Pension Arrangements

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.

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 1996 on the projected unit method when the market value of the assets was £990m. The level of funding on the assumptions shown below was 110%.

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

Rate of return on new investments	8.5%
Earnings increases	6.0%
Pensions increases	4.0%
Growth of dividends	4.0%

Credit for the estimated surplus has been spread over the remaining service lives of the existing employees and consequently the net contribution rate on the accruals basis is 7.0% of pensionable payroll. A provision of £29m (1995: £30m) 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 1994, USA 1 January 1996, Australia 30 June 1994 and South Africa 1 March 1995.

The aggregate market value of these schemes at the relevant review dates was approximately £209m and the funding position was adequate.

The total pension cost for the year was £34m (1995: £32m), of which £17m (1995: £17m) related to the UK fund and £13m (1995: £12m) to the above-mentioned principal overseas funds.

30 Share Options

During the year, options were granted over Ordinary Shares of 25p in accordance with the Rules of the various schemes and at 28 December 1996, taking account of options exercised, cancelled and lapsed, options to subscribe for the following Ordinary Shares of 25p were outstanding:

	Number of Shares	Exercise Price per Share (in pence unless stated otherwise)	Exercise Period (See notes (i) - (vi) page 86)	Code (See Directors' Interests, Pages 44 and 45)
(a)	Savings-Related Share Option Scheme 1982 (see Note (i))			
	323,481	295.14	1 February 1997 – 31 July 1997	
	1,177,053	311.79	1 February 1997 – 31 July 1997	
	2,058,239	325.40	1 January 1998 – 30 June 1998	
	1,005,905	230.81	1 February 1998 – 31 July 1998	aa
	385,239	311.79	1 February 1999 – 31 July 1999	
	1,642,161	352.67	1 February 1999 – 31 July 1999	
	882,422	325.40	1 January 2000 – 30 June 2000	
	2,056,669	351.13	1 February 2000 – 31 July 2000	
	553,032	428.80	1 February 2000 – 31 July 2000	ab
	391,566	352.67	1 February 2001 – 31 July 2001	
	2,331,157	388.80	1 February 2001 – 31 July 2001	
	507,553	351.13	1 February 2002 – 31 July 2002	
	1,875,782	403.60	1 February 2002 – 31 July 2002	ac
	498,870	388.80	1 February 2003 – 31 July 2003	
	468,344	403.60	1 February 2004 – 31 July 2004	
	16,157,473			
(b)	Share Option Scheme 1984 for Main Board Directors and Senior Executives (see Note (ii))			
	12,684	245.01	28 March 1991 – 27 March 1998	
	80,337	332.03	19 September 1991 – 18 September 1998	ba
	213,521	366.09	29 September 1992 – 28 September 1999	bb
	357,182	299.87	21 September 1993 – 20 September 2000	bc
	60,251	347.17	28 March 1994 – 27 March 2001	
	401,596	382.17	9 October 1994 – 8 October 2001	bd
	8,452	409.60	31 March 1995 – 30 March 2002	
	1,271,729	427.58	14 October 1995 – 13 October 2002	be
	1,983,314	442.76	1 October 1996 – 30 September 2003	
	4,389,066			
(c)	Share Option Scheme 1986 for Senior Management Overseas (see Note (ii))			
	7,716	245.01	11 April 1991 – 10 April 1998	
	25,308	332.03	3 October 1991 – 2 October 1998	
	293,197	319.73	3 April 1992 – 2 April 1999	
	41,224	366.09	13 October 1992 – 12 October 1999	
	36,996	295.14	4 April 1993 – 3 April 2000	
	557,735	299.87	5 October 1993 – 4 October 2000	ca
	119,078	347.17	11 April 1994 – 10 April 2001	
	516,993	382.17	23 October 1994 – 22 October 2001	
	8,453	409.60	14 April 1995 – 13 April 2002	
	1,087,458	427.58	28 October 1995 – 27 October 2002	
	1,835,502	442.76	15 October 1996 – 14 October 2003	
	4,529,660			

30 Share Options
continued

	Number of Shares	Exercise Price per Share (in pence unless stated otherwise)	Exercise Period (See notes (i) - (vi) page 86)	Code (See Directors' Interests, Pages 44 and 45)
(d)	Share Option Plan 1994 (see Note (iii))			
	4,346,246	409.14	2 November 1997 – 1 November 2004	
	411,259	384.17	23 December 1997 – 22 December 2004	
	16,000	452.50	31 March 1998 – 30 March 2005	
	5,243,541	485.00	28 September 1998 – 27 September 2005	
	5,325,887	519.00	28 September 1999 – 27 September 2006	da
	146,113	519.00	29 September 1999 – 28 September 2006	
	15,489,046			
(e)	Irish Savings-Related Share Option Scheme (see Note (i))			
	4,178	389.73	24 January 1997 – 23 July 1997	
	4,778	368.92	1 February 1997 – 31 July 1997	
	1,054	288.51	1 February 1998 – 31 July 1998	
	467,079	363.04	17 December 1998 – 16 June 1999	
	1,525	389.73	24 January 1999 – 23 July 1999	
	16,140	432.00	16 December 1999 – 15 June 2000	
	159,204	340.38	19 December 1999 – 18 June 2000	
	41,629	363.04	17 December 2000 – 16 June 2001	
	114,553	390.00	18 December 2000 – 17 June 2001	
	83,017	407.00	16 December 2001 – 15 June 2002	
	16,640	340.38	19 December 2001 – 18 June 2002	
	7,870	390.00	18 December 2002 – 17 June 2003	
	9,920	407.00	16 December 2003 – 15 June 2004	
	927,587			
(f)	Irish AVC Savings-Related Share Option Scheme (see Note (iv))			
	2,323	350.95	24 January 1997 – 23 July 1997	
	315,519	363.04	17 December 1998 – 16 June 1999	
	5,649	432.00	16 December 1999 – 15 June 2000	
	47,684	340.38	19 December 1999 – 18 June 2000	
	42,794	390.00	18 December 2000 – 17 June 2001	
	42,941	407.00	16 December 2001 – 15 June 2002	
	456,910			
(g)	Australia and New Zealand 1993 Employee Options Contribution Plan (see Note (v))			
	94,800	A$8.6900	15 September 1997 – 10 October 1997 or	
	11,800	NZ$9.5000	14 September 1998 – 9 October 1998	
	159,000	A$8.3900	8 September 1997 – 3 October 1997 or	
	16,200	NZ$9.7700	14 September 1998 – 9 October 1998 or	
			13 September 1999 – 8 October 1999	
	281,800			
(h)	United States and Canada Employee Stock Purchase Plan 1994 (see Note (vi))			
	405,901	US$5.9775	3 May 1997 – 19 May 1997	
	598,936	US$6.6550	2 May 1998 – 18 May 1998	ha
	1,004,837			

30 Share Options
continued

The Exercise Periods given are those applicable in normal circumstances as detailed in the Rules of the various schemes as follows:

(i) a period of six months either three, five or seven years after the start of the contract;
(ii) a period of seven years commencing three years after the date of grant;
(iii) a period of seven years commencing three years after the date of grant, subject to the performance criteria, established at the date of grant by the Remuneration Committee, being satisfied (see Report of the Directors: Share Schemes page 35);
(iv) a period of six months commencing either three or five years after the start of the contract;
(v) in three periods each of four weeks commencing after the announcement of the Group's Interim Results;
(vi) a period of two weeks commencing two years after the date of grant. At maturity the Ordinary Shares under this Plan are issuable as American Depositary Shares (each of which is represented by four Ordinary Shares). If the interest earned to 28 December 1996 was taken into consideration, the total number of Ordinary Shares issuable at that date would have been 1,015,688.

31 Post Balance Sheet Events

(a) Details of the disposal of the Group's interest in Coca-Cola & Schweppes Beverages Ltd are provided in Note 2.
(b) Details of the announced redemption of the US$ Auction Preference Shares are provided in Note 22(e).
(c) On 12 February 1997 the Group purchased the Food Industries Development Co. (Bim Bim), an Egyptian confectionery company with a net tangible asset value of £35m.

32 Group Companies

Details of principal associated undertakings	Activities	Country of incorporation and operation	Proportion of issued share capital held if not 100%
Cadbury Nigeria PLC (listed)	(a)	Nigeria	40%
Schweppes (Central Africa) Ltd (listed)	(b)	Zimbabwe (i)	46%
Crystal Candy (Private) Ltd	(a)	Zimbabwe (i)	49%
L'Européenne D'Embouteillage SNC	(b)	France	50%
Apollinaris & Schweppes GmbH & Co	(b)	Germany	28%
Amalgamated Beverages Industries (Pty) Ltd (listed)	(b)	South Africa	19%
Camelot Group plc*	(c)	Great Britain	22.5%

Details of principal subsidiary undertakings

Operating companies			
United Kingdom:			
Cadbury Ltd*	(a)	Great Britain	
Schweppes Ltd	(b)	Great Britain	
Coca-Cola & Schweppes Beverages Ltd (see Note 2)	(b)	Great Britain (i)	51%
Sodastream Ltd*	(b)	Great Britain (i)	
Reading Scientific Services Ltd*	(c)	Great Britain	
Trebor Bassett Ltd	(a)	Great Britain	
Cadbury International Ltd	(a)	Great Britain	
Europe:			
Cadbury Ireland Ltd	(a)	Ireland	
Schweppes International Ltd*	(b)	Ireland† (i)	
Canada Dry Corporation Ltd	(b)	Ireland	
Schweppes France SA	(b)	France	
Cadbury France SA	(a)	France	
Schweppes SA	(b)	Spain	
Citricos y Refrescantes, SA	(b)	Spain	
Cadbury Dulciora SA	(a)	Spain	
Schweppes Belgium SA	(b)	Belgium	
Cadbury Faam BV	(a)	Netherlands	
Schweppes Portugal, SA	(b)	Portugal	
Cadbury Portugal – Produtos de Confeitaria Lda	(a)	Portugal	
Piasten Schokoladenfabrik Hofmann GmbH & Co KG	(a)	Germany	70%
Cadbury Confectionery ZAO	(a)	Russia	82%
Cadbury Poland Sp. z o.o.*	(a)	Poland	
Americas:			
Dr Pepper/Seven Up, Inc (formerly Dr Pepper/Cadbury North America Inc.)	(b)	US	
Cadbury Beverages Inc	(b)	US	
Mott's Inc	(b)	US	
Cadbury Beverages Canada Inc	(b)	Canada (i)	
Cadbury Chocolate Canada Inc	(a)	Canada	
Trebor Allan Inc	(a)	Canada (i)	75%
Cadbury Aguas Minerales, SA de CV	(b)	Mexico (i)	
Cadbury Stani S.A.I.C.	(a)	Argentina	80%

32 Group Companies continued

Details of principal subsidiary undertakings (continued)

	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 Confectionery Ltd	(a)	New Zealand	
Cadbury Food Co. Ltd. Beijing	(a)	China	75%
Cadbury Schweppes (South Africa) Ltd (listed)	(a)(b)	South Africa	55%
Bromor Foods (Pty.) Ltd	(a)	South Africa	55%
Cadbury Ghana Ltd	(a)	Ghana	
Cadbury Kenya Ltd	(a)	Kenya	
Cadbury Pakistan Ltd	(a)	Pakistan	95%
Cadbury Schweppes (Zambia) Ltd	(b)	Zambia	
Cadbury Confectionery Malaysia SB	(a)	Malaysia	65%
Trebor (Malaysia) SB	(a)	Malaysia	65%
P.T. Trebor Indonesia	(a)	Indonesia	70%
Cadbury India Ltd (listed)	(a)	India	51%
Cadbury Egypt	(a)	Egypt	80%
Cadbury Japan Ltd	(a)	Japan	
Finance and holding companies:			
Cadbury Schweppes Finance Ltd*	(c)	Great Britain	
Cadbury Schweppes Money Management plc*	(c)	Great Britain	
Cadbury Schweppes Overseas Ltd*	(c)	Great Britain	
Connaught Investments plc*	(c)	Great Britain	
Cadbury Schweppes Investments (Jersey) Ltd	(c)	Jersey (ii)	
Cadbury Schweppes Treasury Services	(c)	Ireland (i)	
Cadbury Schweppes France SA	(c)	France	
Cadbury Schweppes Investments BV	(c)	Netherlands (i)	
Cadbury Schweppes Australia Ltd	(c)	Australia (ii)	
CS Finance Pty. Ltd	(c)	Australia	
Cadbury Schweppes Delaware L.P.	(c)	US	
Cadbury Schweppes Holdings, Inc	(c)	US	

*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 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.

US GAAP

The Group prepares its consolidated accounts in accordance with generally accepted accounting principles ("GAAP") applicable in the UK which differ from those applicable in the US. The effect of such differences is set out below.

Effect of Differences	Per UK GAAP		Per US GAAP	
	1996 £m	1995 £m	**1996 £m**	1995 £m
Operating income	**671**	600	**572**	524
Income before tax	**592**	526	**497**	442
Net income (as below)	**340**	300	**247**	217
Shareholders' equity (as below)	**1,287**	1,316	**2,485**	2,626

			1996	1995
Net income per ADS	– Sterling	£	**0.99**	0.91
	– US Dollar*	$	**1.68**	1.41
Net assets per ADS	– Sterling	£	**9.52**	10.14
	– US Dollar*	$	**16.10**	15.72

	1996 £m	1995 £m
Net income for Ordinary Shareholders per UK GAAP	**340**	300
US GAAP adjustments:		
Goodwill/intangibles	**(88)**	(88)
Restructuring costs	**(6)**	12
Pension costs	**(2)**	(9)
Other items	**3**	2
Taxation	**–**	–
Net income per US GAAP	**247**	217

	1996 £m	1995 £m
Shareholders' equity per UK GAAP	**1,287**	1,316
US GAAP adjustments:		
Goodwill/intangibles	**1,236**	1,362
Capitalisation of interest	**35**	44
Elimination of revaluation surplus	**(76)**	(85)
Pension costs	**(43)**	(43)
Dividends	**118**	110
Other items	**26**	15
Taxation	**(98)**	(93)
Shareholders' equity per US GAAP	**2,485**	2,626

(a) Operating income represents operating profit before share of profits of associated undertakings.

(b) The net income per American Depositary Share ("ADS") figures are based on the weighted average number of Ordinary Shares in issue during the year: 996 million (1995: 958 million).

(c) The net assets per ADS are based on net assets less Preference Shares at their redemption value and the year end number of Ordinary Shares: 1,000 million (1995: 991 million).

*At year end exchange rate: £1 = US$1.69 (1995: US$1.55).

Additional Shareholder Information

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

Ordinary Shares	Final Dividend for 1996	Interim Dividend for 1997
Announcement of results	5 March 1997	6 August 1997
Ex-dividend date – Shares purchased before this date on the market qualify for dividend	17 March 1997	15 September 1997
Share Dividend price determined	21 March 1997	19 September 1997
(based on average price on these dealing days)	17-21 March 1997	15-19 September 1997
Record date – Shareholders on the Register on this date have entitlement to dividend	21 March 1997	19 September 1997
Share Dividend documentation posted	10 April 1997	3 October 1997
Share Dividend Forms of Election to be returned to Registrars by	2 May 1997	7 November 1997
Dividend Payment	23 May 1997	21 November 1997

The Annual General Meeting of the Company is on 8 May 1997.
The Annual General Meeting of the Company in 1998 will be on 7 May 1998.

Low Cost Share Dealing Service

Hoare Govett Corporate Finance Limited has 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 0171-601 0101 or by writing to:

Hoare Govett Corporate Finance Ltd
4 Broadgate
London EC2M 7LE

This service is not available to people who are US persons for the purpose of the United States Securities Act 1933 nor to Ordinary Shareholders who are or will be registered on the Australian Register.

Personal Equity Plans

A Single Company Personal Equity Plan and a Corporate Personal Equity Plan ("PEP") in the Ordinary Shares of the Company have been established by Halifax Investment Services Limited, a wholly owned subsidiary of the Halifax Building Society, approved as a PEP Plan Manager by the Inland Revenue and regulated by IMRO.

Detailed terms and conditions are set out in Halifax Investment Services booklets, which can be obtained by telephoning 0800 371769 or by writing to:

Halifax Investment Services Limited
Halifax Building Society
Trinity Road
Halifax HX1 2RG

This should not be regarded as constituting a recommendation or financial advice by the Company. Before making any investment decision, shareholders should consider obtaining independent professional advice.

Listings

The Ordinary Shares of 25p are listed on the London Stock Exchange.

In Australia, the Ordinary Shares of 25p are traded on the Australian Stock Exchange under the reference "CBS".

Ordinary Shares in the form of American Depositary Shares are traded in the US (see Section headed United States of America on page 92).

Registrars

Shareholder records are maintained on either the UK Register by Lloyds Bank Plc or the Australian Register by Coopers & Lybrand. Arrangements for ADSs in the US are detailed on page 92.

UK Registrar

Lloyds Bank 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 below).

Shareholders should ensure that all communications are addressed to The Registrar, Cadbury Schweppes plc at the Lloyds Bank Registrars address above and include their reference number which starts with 303, 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 Bank Registrars.

Australian Registrar	Coopers & Lybrand Level 12 333 Collins Street Melbourne Victoria 3000 Australia Telephone (03) 9205 4999	Postal Address Coopers & Lybrand Box 1736P GPO 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 Coopers & Lybrand 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 Coopers & Lybrand.

"Q" Arrangement
The Company has established arrangements (called the "Q" arrangement) under the United Kingdom/Australia Double Taxation Agreement, which entitle qualifying Shareholders to receive an additional amount of 6.25% of the declared dividend representing a refund of part of the UK tax imposed on the dividend. Details of the arrangements and the relevant forms for completion are available from the Registrar, Coopers & Lybrand. The "Q" arrangement does not apply to dividends received in the form of shares, such dividends are not eligible for any UK tax refund.

United States of America

Cadbury Schweppes American Depositary Shares ("ADS") are quoted on the New York Stock Exchange. The ticker symbol is CSG.

ADS
One ADS represents four Ordinary Shares. Upon issue in 1984, one ADS represented ten Ordinary Shares but in 1991 this basis was changed to enhance the marketability of the ADS particularly to individual investors.

Dividends
The final dividend recommended for the year 1996 (if approved at the Annual General Meeting) will be payable on 2 June 1997 to the holders of American Depositary Shares whose names are registered with Morgan Guaranty Trust Company of New York on 21 March 1997.

For US residents the gross final dividend per ADS (as recommended) will amount to 59p (1995: 55.5p) on the basis of the current UK tax rate at 20%. On payment a withholding tax of 15% will be deducted. In the case of individuals this tax will normally be eligible for credit against US federal income taxes obtained by filing Form 1116 "Computation of Foreign Tax Credit" with the federal income tax return.

SEC Filings
In accordance with US legislation, the Company makes various filings including an annual report on Form 20-F with the Securities and Exchange Commission in Washington DC. These filings are available for public inspection and ADS holders may obtain a copy of Form 20-F from the New York office of Morgan Guaranty Trust Company of New York. Other Shareholders wishing to see a copy of Form 20-F should apply to the Company Secretary in London.

Shareholder Services Program

A Shareholder Services Program ("SSP") has been established by Morgan Guaranty Trust Company of New York for existing holders of ADSs and those people making a purchase of American Depositary Receipts ("ADRs") in the Company for the first time. This SSP provides a convenient and economical way for investors to increase their ADR investment in the Company.

Further information about the SSP may be obtained from Morgan Guaranty Trust Company:

Morgan ADR Service Center
PO Box 8205
Boston
MA 02266-8205
Telephone: Freephone: #1 800 749 1687

Contact Point – ADS Depositary

Morgan Guaranty Trust Company of New York is Depositary for Cadbury Schweppes American Depositary Shares. Shareholder enquiries may be directed to:

Morgan Guaranty Trust Company of New York
PO Box 8205
Boston
MA 02266-8205

Telephone: (617) 575-4328

Share Dividend Alternative

The Company offered a share dividend alternative in respect of the Final Dividend 1995 (paid on 24 May 1996), the Interim Dividend 1996 (paid on 22 November 1996) and the Final Dividend 1996 (payable, subject to shareholder approval at the Annual General Meeting, on 23 May 1997).

The cash equivalent values per share were as follows:

Final Dividend 1995	511.6p
Interim Dividend 1996	506.5p

Details of the share dividend alternative are sent to all Shareholders each time such an offer is made, except to Shareholders who have completed a mandate and elected to receive shares, instead of a dividend in cash, who receive an Entitlement Advice.

UK Capital Gains Tax

The values at 31 March 1982 for the purposes of UK capital gains tax were:

Ordinary Shares of 25p each	98.5p	155.07p*

*155.07p is the adjusted price for Shareholders who subscribed for their full entitlements under the rights issues in October 1993 and February 1995.

Close Company Status

So far as the Directors are aware the close company provisions of the Taxes Acts do not apply to the Company and there has been no change in that position since the end of the financial year.

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.

Cadbury Schweppes plc
25 Berkeley Square
London W1X 6HT

Telephone: 0171-409 1313
(44) 171-409 1313

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IFC: Inside Front Cover

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The Company's commitment to environmental issues has been reflected in the production and despatch of this Annual Report.

The papers used for this Annual Report are:
Cover and text pages 1 to 56: Consort Royal era Silk; text pages 57 to 96: Solaire; both of which are manufactured in Scotland.
Consort Royal era Silk contains 25% UK fibre produced from post-consumer and office waste paper using a totally chlorine free bleaching and de-inking process. The balance is produced from totally chlorine-free pulp, the fibre for which is taken from sustainable managed forests.
Solaire is an uncoated paper with fibre sourced from virgin wood pulp from sustainable forests including forest thinnings, sawmill residues and from mill waste. Pulps used are elemental chlorine free. Water used in the papers' manufacture is suitably treated and returned to source in accordance with strict local laws.

The inks, with the exception of the gold metallic ink on the cover, and the varnish are all soya based.
The polywrap in which the Report has been despatched to Shareholders is totally recyclable.

Photography: Locations: Paul Lowe
Product: Peter Howard Smith
Directors: Michael Heffernan
Pages 26 to 29: contributed from within the Group

Designed by Pauffley PRL
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Cover photography

Cadbury Ltd is the UK's leading chocolate confectionery manufacturer with a 30% share of the £3.4 billion chocolate market. The Cadbury's Dairy Milk Megabrand – Cadbury's Dairy Milk, Fruit & Nut and Wholenut – had a volume share of over 46% of the moulded sector in 1996.

Schweppes' famous Indian Tonic Water has been available since the 1870s and today the Schweppes range is sold in over 85 countries around the world. The distinctive plastic bottle reflects a major British innovation in bottle technology.

Produced in Egypt since 1990, Cadbury's Dairy Milk range now has almost 50% of the Egyptian moulded chocolate market. Egypt, with a population of 60 million, is the largest confectionery market in the Middle East and North Africa.

Popular in Egypt since 1982, the Schweppes brand was re-launched in June 1996 under new licence and bottling arrangements. In addition to Schweppes Tonic, enjoyed by many consumers in the 15-30 age group, the Schweppes range includes Tangerine, Orange, Apple, Cloudy Lemon and Soda.


Schweppes
تونيك ووتر
ONIC WATER
Cadbury's
DAIRY MILK