our objective...

Cadbury Schweppes

Annual Report 1997

	1997	1996 as reported	% change	1996 at 1997 exchange rates	% increase
Sales (a)					
Trading profit (a)					
Trading margin (b)					
Profit before tax and disposals					
Profit on sale of subsidiaries, before tax					
Earnings per Ordinary Share (FRS 3)					
Underlying Earnings per Ordinary Share					
Net Dividend per Ordinary Share					
Capital expenditure (a)					
Marketing expenditure (a)					
Free cash flow					
Total Group employees					

(a) From continuing operations
(b) Excluding restructuring costs

Contents

The Annual General Meeting will be held on Thursday, 7 May 1998. 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.

Cadbury Schweppes' governing objective is growth in **Shareholder value**

We will deliver this by competing in growth **markets**, with strong **brands**, focused **innovation** and value enhancing **acquisitions**. Our organisation is increasingly energised to manage for value.

growth

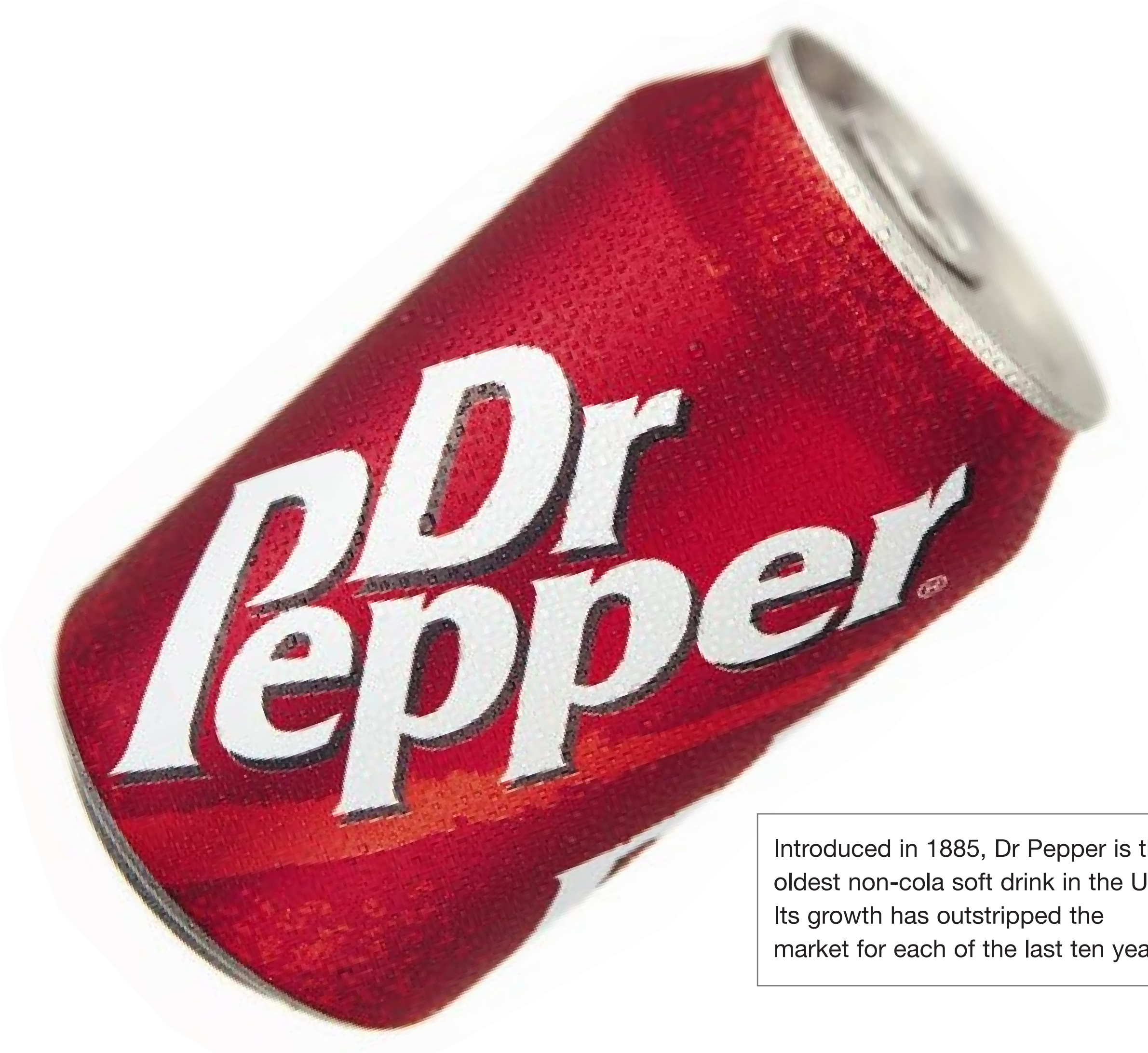
Schweppes is one of the world's most famous soft drinks brands. It is enjoyed by consumers in 129 countries. In 1997 Schweppes' volumes grew by 8% worldwide.

The Cadbury Masterbrand is the largest confectionery brand in the world. Cadbury Schweppes' chocolate and sugar confectionery is available in 195 countries.

markets

Our potential for profitable growth stems from our global representation in the two growth markets of Beverages and Confectionery. Over the last five years these markets have increased in volume by 25% and 20% respectively.

strong



Introduced in 1885, Dr Pepper is the oldest non-cola soft drink in the US. Its growth has outstripped the market for each of the last ten years.

Since its introduction in 1992, Cadbury's TimeOut has been launched into 16 major markets worldwide, including the UK, Ireland, Australia, New Zealand and, most recently, Canada, making it one of our most successful product innovations of the 1990s.

brands

We compete in these markets with strong brands which earn high margins and generate substantial cash flows. Timeless classics and rising stars build value and competitiveness in markets around the world.

focused

Launched in Australia in 1997 to great acclaim, Cadbury Yowie is the first chocolate brand to combine an educational programme about the environment with a new concept in children's confectionery. In the 6 months since launch, 1½ Yowies have been sold for every man, woman and child in Australia.

innovation

Growth in volume and market share are fuelled by innovation – in products, packaging and route to market. Successful innovation has been a key contributor to our growth in recent years.

Mott's new, award winning "Easy-Grip" bottle is lightweight, shatterproof and constructed from innovative multi-layered plastic to keep the product fresher for longer. Sales volumes of Mott's Apple Juice in North America increased by 28% in 1997.

value enhancing

La Pie Qui Chante, acquired in December 1997, fits well with our existing French confectionery operations. Together with established brands such as Poulain and Bouquet d'Or, it gives us a strong position in the French confectionery market.

The acquisition of Bim Bim in early 1997, added to Cadbury Egypt, has made us market leader in the Middle East/North Africa and we are well placed to benefit from further growth in that region.

acquisitions

We continue to build profitable growth through value enhancing acquisitions in prioritised markets around the world.

Sir Dominic Cadbury Chairman (right)
John Sunderland Group Chief Executive

Letter to our Shareholders

1997 was an excellent year for your Company. Sales from continuing operations of £4.2 billion increased by 7%, after excluding the adverse exchange effects from the strength of sterling. On a similar basis, profit before tax and disposals of £575 million increased by 20%. In addition, disposals realised a profit before tax of £412 million, including the sale in February of Coca-Cola & Schweppes Beverages Ltd ("CCSB") for £623 million. Underlying earnings per share of 37.2p were 9% higher than last year, or 16% when reported at constant exchange rates. Year end net borrowings of £649 million were 47% lower than at the end of 1996, due mainly to the sale of CCSB and our strong cash flows.

Strategy

Our strategy is based on:

- global representation in the two growth markets of beverages and confectionery
- competing in these two markets with strong brands which earn high margins and generate substantial cash flows
- growing volume and market share by innovation – in products, packaging and routes to market
- development through value enhancing acquisitions
- creating an organisation increasingly energised to "manage for value".

In beverages, our strategy is to develop and expand the markets for our various brands by the most efficient and value creating manner in each market. This may take the form of licensing agreements, joint venture arrangements or company-owned bottling operations. Our key international brands are Schweppes, Dr Pepper and Crush.

In chocolate and sugar confectionery, our strategy is to build strong positions in prioritised markets through internal growth and acquisitions. We strengthen and develop our key confectionery brands through the marketing of existing products and through new product development. In addition, we identify best practice within our operations and implement it across the Confectionery stream to realise efficiencies and enhance competitiveness.

Managing for Value

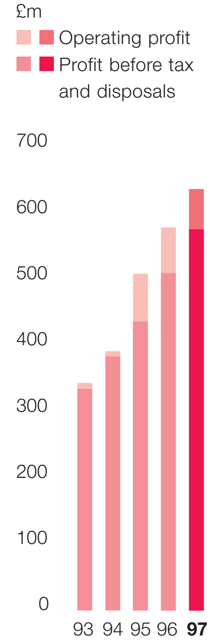
Our governing objective is to increase Shareholder value over time. In April 1997, we launched a major new initiative to meet this objective, which we have called “Managing for Value”. The key elements are:

- raising the bar of financial performance
- applying the principles and techniques of Value Based Management to the development of strategy throughout the Group
- sharpening our culture through greater accountability, aggressiveness and adaptability
- developing an outstanding management team with the required qualities of leadership
- aligning the financial rewards of the management team with those of our Shareholders.

Managing for Value is a long term philosophy to which the whole organisation is committed. Progress achieved so far includes:

- making public our medium term internal financial targets to: double Shareholder value over the next five years, consistently deliver double digit earnings per share growth and generate free cash flow in excess of £150 million per annum. In 1997, our underlying earnings per share grew 16%, after excluding the effects of strong sterling, and free cash flow was £157 million. Total Shareholder return was 17%, based on the growth in the average share price in 1997 compared with 1996, plus the dividend income received by Shareholders during 1997, compared with the 15% compound annual growth rate needed to hit our target
- communication of the new Managing for Value initiative and extensive training in its implications throughout the Group
- introduction of full Value Based Management reviews at two business units. These are being used as pilot units prior to the extension of this process throughout the Group
- an independent assessment of our top management team against our new leadership criteria
- revision of incentive programmes to align the interests of management more closely with those of our Shareholders.

Profit from continuing operations
£m



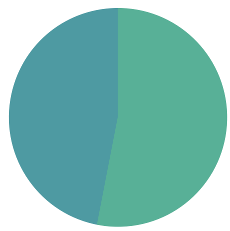
Business Overview

Branded sales volumes from continuing operations increased by 4% in both the Beverages and Confectionery streams. This performance was stimulated by higher levels of marketing investment behind our brands, as well as the continued successful introduction of new products and international expansion of existing brands in both streams. Trading margin grew again, to 14.5%, with increases from both streams.

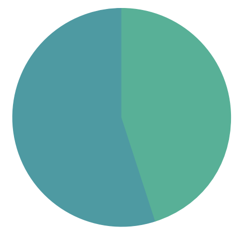
Letter to our Shareholders

continued

Stream Sales and Trading profit	Beverages Stream (a) £m	Confectionery Stream £m
Sales	**1,953**	**2,220**
Trading profit (b)	**342**	**282**



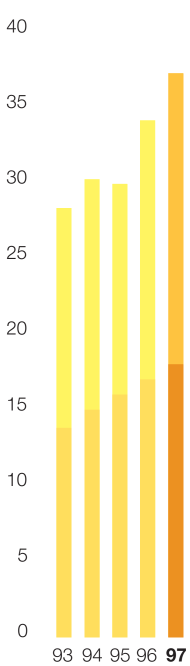
Sales
£4,173m



Trading profit
£624m

(a) From continuing operations
(b) Excluding major restructuring costs

Underlying Earnings per Ordinary Share*
Dividends per Ordinary Share
pence
Earnings
Dividends



*Excluding gains and losses on disposals of subsidiaries

Acquisitions and Cash Flow

We made three acquisitions during the year:

- In January we acquired Jaret, a US sales operation which has been in partnership with Trebor Allan of Canada for some time, and which has been linked with the US broker sales system for over 70 years. It has an excellent record with over 30 US food and confectionery brokers.
- In February we acquired Bim Bim, an Egyptian based countlines and sugar confectionery company selling throughout the Middle East and North African Region.
- In December we acquired La Pie Qui Chante, a French sugar confectionery business which manufactures boiled sweets, caramels, chews and jellies.

Further details are given in the Confectionery Stream Review.

Our strong cash flow, from both continuing operations and the sale of CCSB, enabled us to invest £118 million in the acquisitions described above, redeem $175 million of Auction Market Preference Shares in March and reduce net borrowings by £578 million.

In February 1998 we announced our intention to form a joint venture to acquire two leading independent bottlers in the US.

Dividend

The Board is recommending a final dividend of 12.5p, which will be paid once more as a Foreign Income Dividend, taking advantage of the current legislation for the benefit of the Group's longer term tax position. Dividends for the full year will total 18.0p, a 6% increase over 1996.

Share Buy-back

We will be requesting Shareholder approval at the Annual General Meeting for authority for the Company to purchase its own Shares as and if appropriate. The sale of CCSB and the Group's strong cash flow mean we are well placed to make suitable value enhancing acquisitions. In the meantime our balance sheet is becoming less efficient and we seek the flexibility to amend the mix of debt and Shareholders' funds to its optimum level to the long term benefit of all Shareholders.

The Board

In June, Richard Braddock was appointed as a non-executive Director. He was formerly President and Chief Operating Officer of Citicorp/Citibank NA and brings substantial experience of major US corporations and markets, which is highly relevant to the development of our North American interests.

Tom Hutchison will be retiring at the Annual General Meeting in May. He joined the Board in 1986 and has served as Deputy Chairman since May 1992. During his period of office we have derived considerable benefit from his wise counsel and breadth of business experience. We thank him for his contribution to the Group over the past twelve years.

People

It is our people who achieve the results we have described. It is also they who both initiate and are affected by change. We are grateful for the speed and extent with which our whole organisation has embraced the Managing for Value programme. We are confident that this commitment will underwrite our future success.

The Future

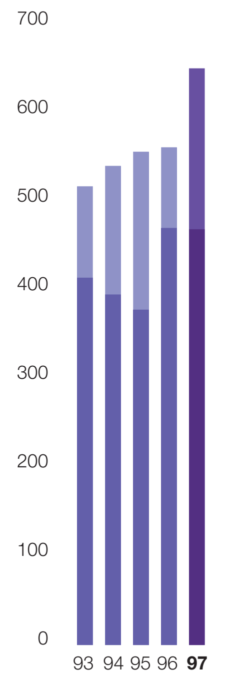
Our strategy is clear. The Managing for Value programme is now well underway. We look forward to the challenges of 1998 with confidence.

Sir Dominic Cadbury
Chairman

John Sunderland
Group Chief Executive

Share price
Annual high and low prices per Ordinary Share

pence
high
low



John Brock
Managing Director, Beverages Stream

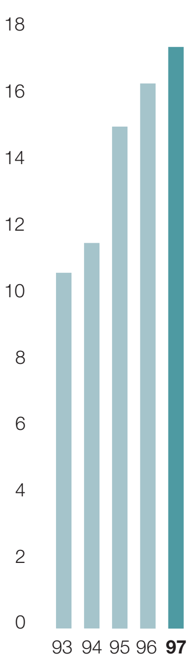
Beverages Stream Review

Key Developments

- Excellent sales volume increases for Dr Pepper and Schweppes
- Sale of UK bottling subsidiary for £623 million and renewal, on improved terms, of licensing arrangements for our brands in Great Britain
- Revitalisation of 7 UP continued in the US with a new marketing campaign, new "splash" bottle and, for early 1998, a new enhanced formula
- Extension of the licensing arrangements for Dr Pepper and other DPSU brands in the US
- Announcement of a joint venture in February 1998 to bottle and distribute our brands in the Midwest of the US
- Further international expansion of key brands
- Strong volume and profit growth from Mott's in North America

Beverages Stream
Trading margin from continuing operations*

per cent



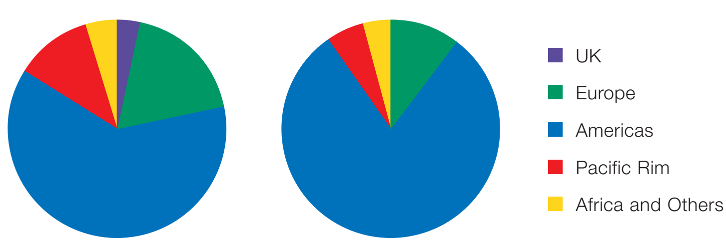
*Excluding major restructuring costs

Strategy

Our beverages strategy is based on:

- developing and expanding markets with our range of brands
- using the most efficient and value creating route to market
- focusing on key international brands – Schweppes, Dr Pepper and Crush
- innovating – in flavour extensions, packaging and routes to market.

	1997 £m	1996 £m	As reported	At constant exchange rates
Sales from continuing operations	**1,953**	1,954	–	+8%
Trading profit from continuing operations*	**342**	321	+7%	+13%



Sales
£1,953m

Trading profit
£342m

*Excluding major restructuring costs

United Kingdom

Sales successes in the UK included the relaunch of Schweppes with new graphics, new advertising and the new Schweppes Sparkling range (a mixture of fruit juice and spring water), together with an 84% increase in Dr Pepper volumes and 20% growth from Oasis. Trading profit in the UK included only one month's bottling profits from CCSB (sold in February), which continues as our bottler under new long term licensing arrangements.

Continental Europe

Profit in Europe increased by 33%, or over 60% when expressed in local currencies.

In France, we achieved good Schweppes and Gini volume growth. Increased profit and margins also reflected the full year benefits of the manufacturing and distribution joint venture with San Benedetto.

In Spain, volumes increased for our lead brands, Schweppes and Trinaranjus. We took direct responsibility in the year for the bottling and distribution of Trinaranjus and Vida in the Madrid area. Profit was 36% ahead when expressed in local currency and margins increased again.

Portugal returned to profit after incurring losses in 1996.

Excellent profit and margin increases were generated elsewhere in Europe, with good sales growth from Russia, Schweppes in Norway, Italy, Switzerland and Slovenia and Energade in Italy. Dr Pepper was launched in Belgium and the Czech and Slovak Republics, and Crush was launched in the Ukraine.

Americas

North America

Sales and profit for Dr Pepper/Seven Up ("DPSU") increased in 1997. Dr Pepper volumes were excellent, growing at nearly double the market rate, driven by the new "This is the Taste" marketing campaign, the new proprietary "angle" bottle and by securing new locations at top fountain accounts.

The revitalisation of 7 UP continued with the launch of the new "splash" bottle and, for early 1998, a new, enhanced formula supported by a new marketing campaign and heavy sampling programmes. Volume trends improved over the year and regular 7 UP returned to growth in the last quarter.

Good sales increases were achieved for Schweppes, A&W, Canada Dry and Sundrop. Above market growth was achieved in Canada.

In January 1998, we announced that the licensing arrangements with Coca-Cola Enterprises Inc. ("CCE") in the US had been extended for Dr Pepper and other DPSU brands. Under the new

terms, CCE will continue to manufacture, sell and distribute Dr Pepper until at least 31 December 2005 and other DPSU brands until at least 31 December 2001.

In February 1998, a joint venture was announced to invest in the bottling and distribution of soft drinks in the Midwest of the US. The new joint venture, The American Bottling Company, intends to acquire two leading independent bottling groups.

Plans to reduce DPSU's cost base further were announced at the end of 1997 and this action will contribute to profitability in 1998.

Sales, profit and margin increases were also achieved by Mott's in the US and Canada. All products benefited from the new trademark graphics and promotions. Fruitsations (single serve apple sauce and fruit range) did particularly well, with volumes up 78%. Mott's has benefited from investment in packaging technology and, in 1998, a new production facility based at the Group's Tecate, Mexico, bottling plant will reduce distribution costs to the Western US. Good volume increases were achieved for Clamato due to new trademark graphics and promotions, a new marketing campaign and increased penetration in food service channels. Since its launch in Canada in the Spring, Mott's Apple Juice has already become the most widely distributed brand in its sector and Mott's In-A-Minute shelf stable concentrated juice was also launched successfully.

Mexico and Central/South America

The Mexican soft drinks industry showed signs of recovery after declining for several years and this, together with successful new product launches of Peñafiel lemon-lime and Aguafiel still water, helped to generate good sales, profit and margin increases. Savings in ingredients and packaging materials costs also contributed to improved results.

Sales in Central and South America grew. 1997 saw the first full year of Schweppes tonic and citrus in Argentina, the relaunch of Schweppes tonic, citrus and apple in Brazil, the successful launch of Crush in Costa Rica and the relaunch of Dr Pepper in Puerto Rico.

Pacific Rim

Local currency sales, profit and margin all grew in Australia, helped by the hot weather in the south eastern states. Schweppes mixers experienced volume increases of double the market growth for that sector. Schweppes Traditionals range and Solo achieved good results due to successful advertising campaigns, promotional activity and new pack sizes. The national roll-out of Dr Pepper was successful. Cottee's sales included strong growth from cordials. Profit was also helped by cost savings in raw materials and distribution, as well as excellent control over indirect costs.

Good sales increases were also achieved in New Zealand, with Crush in Vietnam and Canada Dry in Japan. A joint venture in China has been established, a business licence has been issued and a range of Oasis still flavours and water will be launched in 1998.

Africa and Others

Strong sales increases were achieved in South Africa for the Schweppes range and Lemon Twist and market share increased to 15%. Sales of Bromor products were affected by the difficult trading environment, although Energade volumes continued to grow well, boosted by sport sponsorships. The market leading Oros cordials, which were relaunched in new packaging during the year, performed strongly. Market shares were strong for most categories. Hulley & Rice, a non-core food business, was sold during the year.

Elsewhere in Africa, sales increased in Zambia and Zimbabwe. Sales were buoyant in Yemen and Egypt, where 1997 was our first full year trading with a new bottler, and in India volumes continued to grow as we extended our bottler network.

Ian Johnston
Managing Director, Confectionery Stream

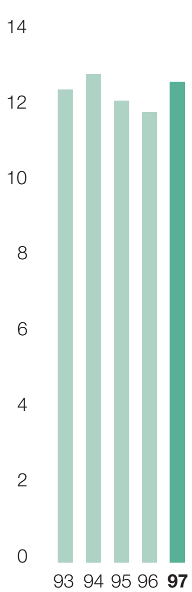
Confectionery Stream Review

Key Developments

- Continued investment in key confectionery brands through:
  - international expansion of existing brands such as Cadbury's TimeOut, WispaGold and Poulain's 1848
  - successful introduction of new products such as Cadbury Yowie and PS
  - higher levels of marketing investment
- Good progress and sales growth in greenfield markets – Poland, Russia and China
- Value enhancing acquisitions – Bim Bim in Egypt and Jaret in the US. La Pie Qui Chante in France was acquired at the year end
- Market share gains and consolidation in many countries, including France, Ireland, Poland, Canada, Argentina, South Africa and Egypt

Confectionery Stream
Trading margin*

per cent



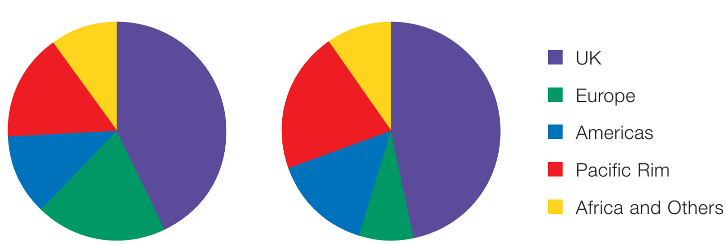
*Excluding major restructuring costs

Strategy

Our confectionery strategy is based on:

- building strong positions in prioritised markets through internal growth and value enhancing acquisitions
- strengthening key brands through marketing investment and innovation in new product development, packaging and routes to market
- implementing operational best practice.

	1997 £m	1996 £m	As reported	At constant exchange rates
Sales	**2,220**	2,240	–	+6%
Trading profit*	**282**	267	+6%	+11%



Sales
£2,220m

Trading profit
£282m

*Excluding major restructuring costs

United Kingdom

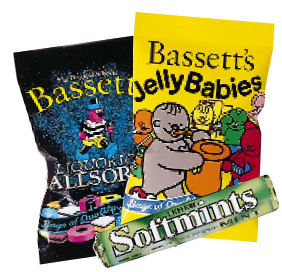
Cadbury Ltd

Cadbury Ltd remains market leader in the UK chocolate confectionery market and profit increased again. After a very buoyant 1996, the UK market lost ground marginally in 1997, mainly due to unseasonably warm weather in early Spring. Easter and Christmas sales were good and market shares during these seasons were increased. Cadbury's Roses was again the UK's best selling boxed chocolate assortment and the sector received a boost with the relaunch of Cadbury's Milk Tray as well as from competitive activity. Cadbury's Astros, successfully developed originally in South Africa, was launched in August. Cadbury's Fuse continues to be the fastest growing countline in the market, following its successful launch in 1996. Operational efficiencies also contributed to Cadbury Ltd's performance, including the automation of the Cadbury's Roses packing line and rationalisation of the warehouse network.

The licence business based in the UK continues to deliver an important contribution to profit, and helps make Cadbury the UK's largest food brand linked by a common ingredient. Good volume increases were achieved by Manor Bakeries with Cadbury Mini Rolls and by St Ivel with Cadbury chilled desserts. Leadership was re-established by the Cadbury brands in the food beverages market. New product launches included Cadbury's Jestives by Premier Brands, a chocolate covered digestive biscuit.

Trebor Bassett Ltd

Trebor Bassett is market leader in the UK sugar confectionery market and volume moved ahead, led by the grocery channel. Record sales levels were achieved in 1997 and a strong advertising campaign lifted Maynards Wine Gums to the No. 1 fruit sweet brand. Share of the mint category increased, with Trebor holding five out of the top ten brands. Export sales were affected by the strength of sterling, but overall volume improvements spurred strong profit growth. Productivity gains were also important in reducing costs in this competitive market.



Europe

Volumes in Europe increased and sales and profit grew in local currency but declined 8% and 17% respectively, when reported in sterling.

Cadbury Ireland's market share continued at over 40% for total confectionery and edged ahead in the year, led by excellent sales of key brands – Cadbury's Crunchie, Flake, Snack and Twirl. Successful new product launches included the Poulain 1848 moulded range from France and Cadbury's Astros from South Africa. Factory volumes were helped by exports to Group companies including supply of Cadbury's TimeOut for launch in Canada.

In France, volumes increased for moulded and drinking chocolate, and the relaunch of the premium Poulain 1848 moulded range and Chocolate Spread saw sales ahead of target. There was a major currency cost for certain raw materials denominated in sterling, but this was managed by the business with minimal impact on profit. The sugar confectionery business, La Pie Qui Chante, was acquired at the end of 1997 and is now being integrated with the existing

Confectionery Stream Review

continued

operations of Cadbury France. The combined business gives us the No. 3 position in the total French confectionery market and joint leadership in sugar confectionery.

Cadbury Faam in the Netherlands increased its volume and profit was well ahead. The new Cadbury Portugal distribution business contributed positively in its first full year.

Domestic volumes in Germany were steady but total volumes suffered from lower exports to Russia, although this was partially offset by expansion of export sales elsewhere, including Eastern Europe.

Volumes in Spain were affected adversely by a number of factors including hot weather and transport strikes although exports increased, in particular to Russia.

In Poland, sales exceeded 10,000 tonnes for the first time and were ahead nearly 40% in an increasingly competitive market. Cadbury's Picnic and Cadbury's Eclairs remain the two lead brands for the Company. This sales increase together with improved factory efficiency generated a strong profit increase for the year. The factory at Wroclaw achieved ISO 9002 quality accreditation in June and also received an award for its excellent safety record.

Chocolate volumes in Russia increased 65%, mainly from Cadbury's Wispa and Picnic but also from the introduction of a range of products tailored to more traditional local tastes, such as the Cadbury's Tempo wafer product and a dark chocolate range. Work to improve operational performance in the factory, investment in the commercial programmes and development of the Cadbury route to market are all showing progress. In this first year of factory operation the trading loss has decreased from 1996, with a significant 50% reduction in the second half.

Americas

In Canada, Trebor Allan had an excellent year with good increases in sales and profit. The gum brands continued to prove popular with consumers, including successful seasonal extensions and a strong performance from Swedish Fish and Sour Patch Kids which are exported to the US through Jaret, which was acquired in January. Cadbury Chocolate Canada had a more difficult year with an unprecedented level of aggressive pricing and new product launches from major competitors. However, market leadership has been maintained. TimeOut was launched and the "Land of Cadbury" range for Easter was a particular success.

In the US, chocolate sales through long term licensing agreements continued to grow, including Peter Paul's Almond Joy and York Mint and particularly Cadbury's Creme Egg and Cadbury's Caramel Egg with more than 115 million imported from the UK in 1997.

In Argentina, Cadbury Stani's market share increased in the total confectionery market which is still looking to benefit from the promised economic recovery. Strong sales increases were achieved for Beldent (chewing gum) and Bazooka (bubblegum) and chocolate sales also increased, despite the hot summer. Profit was up significantly on last year.

Pacific Rim

Sales and profit in Australia were marginally ahead of last year in local currency, held back by the extremely hot weather in the south eastern states in the first half of the year. An active new product programme has seen a series of successful launches in 1997 including the outstanding introduction of Cadbury Yowie, which is the first chocolate brand to combine an educational programme about the environment with a new concept in children's confectionery. Cadbury Yowie has achieved a 40% value share of the Australian $80 million children's confectionery market, selling over 31 million units, and was voted best new product of the year by Business Review Weekly.

New products such as Cadbury Yowie and Astros were also important factors in the performance of Cadbury New Zealand. Our business in the blocks and bars sectors showed improvement over the previous year.

In China, branded sales volumes increased by 70%, and the sales force has been expanded to cover 15 major regional sales centres as we continue to invest in developing the route to market infrastructure. In Beijing, Cadbury brand awareness is high and the equal of leading competition and is progressing well elsewhere.

Trading in export markets in this region was generally very strong, particularly in the Philippines and Hong Kong, and new product launches continued to build upon the powerful Cadbury brand in these markets.

Africa and Others

In South Africa, sales and profit were ahead of last year. A softening economy has held back the chocolate market but Cadbury volumes increased, as did market share, extending the leadership position achieved in 1996. The successful launch of Cadbury's PS, a wafer bar, particularly helped chocolate volumes. Sales of sugar confectionery grew ahead of the market and market share increased, led by record volumes of both Chappies bubblegum and Cadbury's Eclairs.

The growth rate for the Indian confectionery market was lower than expected, caused mainly by a subdued economy. However, Cadbury sales volumes moved ahead led by Cadbury's Eclairs and the highly successful Trebor brand Googly.

Sales and profit increased substantially in Egypt following the acquisition of Bim Bim, which has a leading position in the Egyptian market with a 26% share of total confectionery and also exports throughout the region. Together with Cadbury Egypt, it gives us market leadership in the Middle East/North Africa and puts us in a strong position to benefit from further growth in that region. The combined business had a successful first year of trading. Bim Bim produces chocolate countlines, the biggest sellers of which are Gersy and Sando, as well as sugar confectionery.

Very satisfactory sales and profit gains were achieved in Kenya, Ghana and Pakistan.

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 4 March 1998 comprised twelve Directors: six Executive Directors and six 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: Sir Dominic 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 33 to 41.

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 pages 22 and 23 concerning 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 pages 22 and 23, 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 pages 22 and 23 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
London
4 March 1998

Board of Directors

Sir Dominic 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 is Chairman of The Economist Newspaper Ltd and a non-executive Director of EMI Group plc, Deputy Chairman of the Qualifications and Curriculum Authority and President of the Food and Drink Federation. Age 57.

T O Hutchison Non-Executive Deputy Chairman
Appointed Deputy Chairman in May 1992 having served as a Director since 1986. He is a non-executive Director of Hammerson plc and of AMP Asset Management plc. He was appointed a Director of Bank of Scotland in 1985 and served as Deputy Governor from 1992 until 1997; and was a Director of Imperial Chemical Industries plc, from 1985 until 1991. Age 67.

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. He is also a non-executive Director of The Rank Group Plc. Age 52.

Dr F B Humer Non-Executive
Appointed a Director in 1994. He is Chief Executive Officer, Head of the Pharmaceuticals Division and member of the Board of Directors of F Hoffmann-La Roche Ltd as well as Chairman of the Executive Committee. He is also a director of Genentech Inc. Previously he held senior positions within the Glaxo group from 1981 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 51.

I D Johnston Managing Director, Confectionery Stream
Appointed a Director in September 1996. He joined Cadbury Schweppes in 1982, in Australia, after holding various posts with Unilever. In 1990 he was appointed Managing Director of Schweppes soft drinks operations in Australia and in 1991 Managing Director of the merged Schweppes Cottee's business. In 1994 he moved to the UK and became Managing Director of Cadbury Limited. Age 50.

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 50.

R S Braddock Non-Executive
Appointed a Director in June 1997. He is Chairman (non-executive) of True North Communications Inc., and a Director of E*Trade Group, Inc., Eastman Kodak Company, Ion Laser Technology and Lincoln Center for the Performing Arts. He held a number of senior positions with Citicorp/Citibank, NA from 1973, culminating in his appointment as President and Chief Operating Officer in 1990 and was Chief Executive Officer of Medco Containment Services when it was sold to Merck in 1993. Age 56.

J F Brock Managing Director, Beverages Stream
Appointed a Director in January 1996 and as Managing Director, Beverages Stream in February 1996. He joined Cadbury Beverages North America in 1983 after 11 years with Procter & Gamble Co. He was appointed President, Cadbury Beverages International in 1990 and President, Cadbury Beverages Europe in 1992. On returning to the US in 1993 he became President, Cadbury Beverages North America overseeing the acquisition and integration of Dr Pepper/Seven-Up Companies, Inc. Age 49.

I F H Davison Non-Executive
Appointed a Director in 1990. He is Chairman of The NMB Group PLC and MDIS Group Plc, and a Director of Chloride Group plc, Credit Lyonnais Capital Markets Ltd and the London School of Economics and Political Science. Age 66.

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 worldwide 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 47.

Sir John Whitehead GCMG, CVO Non-Executive
Appointed a Director of the Company 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 PowerGen plc. Age 65.

Baroness Wilcox Non-Executive
Appointed a Director in March 1997. She is a member of the House of Lords and is President of the National Federation of Consumer Groups, the Institute of Trading Standards Administration and a Trustee of the Institute of Food Research. She was Chairman of the National Consumer Council from 1990 to 1995. Age 57.

Board Secretary

Group Secretary and Chief Legal Officer **M A C Clark**
Appointed as Group Secretary and Chief Legal Officer in 1988. He joined the Group in 1979 and served as Senior Vice-President, General Counsel and Secretary of Cadbury Schweppes Inc in the US prior to his move to the UK. Age 50.

Report of the Directors

The Directors of Cadbury Schweppes plc present their Report together with the audited Accounts for the 53 weeks ended 3 January 1998 (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 beverages and confectionery, 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 31 on the Accounts.

Acquisitions, Disposals and Changes in Investments

Acquisitions, disposals and changes in investments are referred to in the Stream Reviews on pages 14 to 21.

Business Review

The Letter to Shareholders from the Chairman and the Group Chief Executive, the Beverages and Confectionery Stream Reviews and the Financial Review, on pages 10 to 13, 14 to 21 and 42 to 47 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 Event

Details are set out in Note 29 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 1997, the Group spent £22 million on research and development (1996: £21 million). Reading Scientific Services Ltd provides research and analytical services to Group and external customers. Cadbury Schweppes Global Beverages Technology Center at Trumbull provides research and development services to the Beverages stream worldwide.

ITnet Ltd, a subsidiary of the Group until 1995 and in which the Group retains a 12.5% holding, continued to provide information technology and facilities management services to the Group 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 £4,220 million (1996: £5,115 million). Profit on ordinary activities before tax amounted to £987 million (1996: £592 million). Ordinary dividends paid and recommended amount to £182 million (1996: £171 million).

Dividend

An interim dividend of 5.5p net per Ordinary Share was paid, as a Foreign Income Dividend, on 21 November 1997. A final dividend of 12.5p net per Ordinary Share, to be paid as a Foreign Income Dividend, was recommended by the Directors on 4 March 1998 and, subject to approval at the Annual General Meeting, will be paid on 22 May 1998 to Ordinary Shareholders on the register at the close of business on 20 March 1998. The recommended final dividend totals £127 million.

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

Table 1

Ordinary Share Dividend	**1997 Pence per share**	1996 Pence per share
Interim dividend	**5.50**	5.20
Tax credit 20% (20%)	**1.38***	1.30
Final dividend	**12.50**	11.80
Tax credit 20% (20%)	**3.12***	2.95
	22.50	21.25

*Not repayable

Share Dividend

In accordance with the Articles of Association the Directors were authorised, at the Annual General Meeting held on 7 May 1997, to offer Ordinary Shareholders the opportunity to receive dividends in the form of Ordinary Shares instead of in cash.

As the Interim Dividend 1997 was paid as a Foreign Income Dividend, in accordance with the regulations a Share Dividend Alternative could not be offered. The Final Dividend is also recommended as a Foreign Income Dividend and, again, a Share Dividend Alternative cannot be offered. The Share Dividend Alternative Scheme has been suspended and a Dividend Reinvestment Plan is being offered instead. Arrangements have been made with the Company's Registrars for Shareholders, if they wish, to use the whole of the cash dividend to buy additional Ordinary Shares of the Company in the market. Details of this Plan, together with an application form, will be set out in a separate booklet which will be enclosed with this Report for Shareholders.

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. As detailed in the Letter to Shareholders on page 12, the Directors are also seeking authority at the Annual General Meeting for the Company to purchase its own shares, as and if appropriate.

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.

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

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

Grants of options were made under the 1994 Plan during 1997 and the Remuneration Committee, in making such grants, set the performance target to be achieved before such options can be exercised. Options cannot be exercised unless and until the percentage growth in the Company's earnings per share over a period of three consecutive financial years has exceeded the rate of inflation over the same period by at least 2% per year compound (or 6.12% over such three year period).

In September 1997, the Company amended its existing employee benefit trust, The Cadbury Schweppes Employee Trust (Jersey) (the "1994 ESOP"), which was established in March 1994 to enable the trustees to subscribe for Cadbury Schweppes plc shares. Such shares are to be used to satisfy options granted under the 1994 Plan. The 1994 Plan was also amended to permit the trustees to acquire and use shares in this manner. These changes provide a more flexible and cost effective way to operate the 1994 Plan.

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

At the Annual General Meeting held on 8 May 1997, Shareholders approved the adoption of the Cadbury Schweppes plc 1997 Long Term Incentive Plan. In 1997, the Company also established a

Bonus Share Retention Plan to encourage participants to receive all or part of their award under the Annual Incentive Plan 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 pages 33-41.

Directors

The names of the Directors at the date of this Report, together with brief biographical details, are set out on pages 24 and 25. All the Directors held office throughout the year except for Baroness Wilcox who was appointed on 5 March 1997 and Mr R S Braddock who was appointed on 27 June 1997. Mrs A M Vinton and Mr G H Waddell also held office in the year until their retirements at the Annual General Meeting on 8 May 1997. Mr D R Williams held office in the year until his resignation, upon the sale of Coca-Cola & Schweppes Beverages Ltd, on 14 February 1997.

Mr T O Hutchison will be retiring at the AGM.

Mr R S Braddock, 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, offers himself for re-appointment.

Mr J M Sunderland, Mr I F H Davison and Dr F B Humer all retire by rotation at the Annual General Meeting in accordance with Article 90 of the Articles of Association. Each of them, being eligible, offers himself for re-appointment.

Mr J M Sunderland has a service contract with the Company, which is terminable by the Company giving two years' notice. As non-executive Directors, Mr R S Braddock, Mr I F H Davison and Dr F B Humer do not have service contracts with the Company.

The Report of the Remuneration Committee is on pages 33 to 41.

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 pages 22 and 23.

Policy on Payment to Suppliers

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

Share and Other Interests

The interests of the Directors holding office at the year end in the share capital of the Company at 29 December 1996 (or date of appointment if later) and 3 January 1998 according to the Register maintained under Section 325 of the Companies Act 1985 are detailed on pages 39 to 41 in the Report of the Remuneration Committee.

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.

Table 2

Interests in Ordinary Share Capital	Number of Ordinary shares	% of Issued Ordinary Share Capital
The Capital Group Companies, Inc.	36,426,737	3.60
Prudential Corporation plc	35,327,692	3.49

People

The aggregate gross remuneration including bonuses of persons employed by the Company and its subsidiary undertakings in the UK was £231 million (1996: £301 million). The average number of employees of the Group analysed by region is summarised in Table 3.

Table 3

Number of Employees	**1997**	1996
UK	**10,052**	13,116
Europe	**6,634**	6,843
Americas	**9,124**	9,188
Pacific Rim	**5,875**	6,368
Africa and Others	**9,635**	7,396
Total	**41,320**	42,911

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 the Group's 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.

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

Equal Opportunities

The Company is committed to providing equal opportunities to individuals within its businesses worldwide 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.

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 £1,251,878 (1996: £1,036,000). The Company qualifies as a member of The Per Cent Club.

Community Involvement

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

Environment

The Cadbury Schweppes Environmental Programme occupies a key position in the Group's business agenda. The Group continues to invest in systems, processes and facilities so that performance is measured and continually improved against commitments in the key areas of air emissions; water, energy and materials conservation; wastewater treatment; solid waste and packaging management; and soil and groundwater protection. Environmental responsibility remains integral to the way the Group runs its business, and the strength of the programme is measured in the delivery of detailed performance targets in every part of the Group's operation.

Annual General Meeting

The AGM will be held on Thursday, 7 May 1998 at 2.30 pm at the Royal Lancaster Hotel, Lancaster Terrace, London W2 2TY. The Notice of Meeting will be contained in the separate Annual General Meeting booklet which will be enclosed with this 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, although the Share Dividend Alternative has been suspended for the Final Dividend 1997, it is proposed to renew the authority of the Directors to offer a Share Dividend Alternative, in order to retain flexibility in respect of future dividends prior to the next Annual General Meeting. In addition, a resolution will be proposed to authorise the Company to purchase its own Shares, as and if appropriate, and a resolution will also be proposed to amend the Australia and New Zealand 1993 Employee Options Contribution Plan.

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
4 March 1998

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, the 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, service agreements and other employment conditions for the Executive Directors. Information prepared by independent consultants and appropriate survey data on the remuneration practices of comparable companies is taken into consideration. The Company has complied with Section A of the best practice provisions annexed to the Stock Exchange Listing Rules throughout the year.

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 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 worldwide 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 1997 annual incentive awards for Directors were based on the achievement of real growth in net profit. 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 60% of basic salary, except for 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 90% of basic salary and 112.5% for Mr Brock. In 1998 Mr Brock's annual incentive plan targets will be the same as the targets for the other Executive Directors. Incentive awards to Executive Directors for 1996 and 1997 averaged 48% and 73%, respectively, of basic salary. The Chairman does not participate in the Annual Incentive Plan.

The Bonus Share Retention Plan ("BSRP") is applicable to Annual Incentive Plan awards for 1997.

128 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 Plans

Following approval by Shareholders at the Annual General Meeting held on 8 May 1997, the Company adopted the 1997 Long Term Incentive Plan (the "1997 LTIP"). The 1997 LTIP operates over a three year performance cycle with a new cycle starting each year. The first performance cycle started with the calendar year 1997. The 1997 LTIP replaces the prior Long Term Incentive Plan (the "Old LTIP"). Basic terms and conditions for the Old LTIP were set out in the Annual Report 1996. Awards for the 1995-1997 cycle were made under the Old LTIP. The 1997 LTIP provides for annual awards to 29 senior executives, including six directors, based on total shareholder return (ie share price growth plus re-invested dividends) and the achievement of real growth in earnings per share measured over a 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. 1997 LTIP awards are based on objective financial tests subject to appropriate adjustments as determined by the Remuneration Committee. For the initial operation of the 1997 LTIP, one award will be based on total shareholder return (the "TSR award"). This award will be linked to TSR subject to a minimum requirement that the growth in the Company's earnings per share over the cycle must exceed the rate of inflation over the same period by at least 2%.

The Company's TSR over the performance cycle will be compared with a weighted average TSR performance of a peer group of both UK and non-UK Fast Moving Consumer Goods ("FMCG") companies (weighted 75% and 25% respectively). These companies have been selected to reflect the global nature of the Company's business. No part of the TSR award will be earned if the performance is below the 50th percentile of the peer group. If this threshold is exceeded, awards may be earned in increasing amounts from 20% of basic salary (or 40% of basic salary for an Executive Director). For performance at or above the 80th percentile the award will be earned in full. The maximum value of the TSR award will be 75% of basic salary for Executive Directors.

For the second award (the "EPS award"), the performance target will be linked to the Company's earnings per share. The EPS award will be earned in full if over the performance cycle the growth in earnings per share exceeds the rate of inflation over the same period by at least 4% per annum. The maximum value of an EPS award will be 25% of basic salary for an Executive Director.

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

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

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

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 (29 December 1996), at the end of the year (3 January 1998) and changes during the year, are set out. At 3 January 1998 Executive Directors had interests in the Old LTIP in respect of the 1995-1997 and 1996-1998 cycles. They had interests in the 1997 LTIP in respect of the 1997-1999 cycle. In March 1997 the Remuneration Committee approved awards which had been earned for the 1994-1996 cycle. Release of awards in respect of the 1992-1994 cycle (together with accrued share dividends) was made in April 1997.

(d) Retirement Benefits

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

Sir Dominic Cadbury, J M Sunderland, D J Kappler and D R Williams participate in the UK pension arrangements. J F Brock and R J Stack participate in the US pension arrangements, and I D Johnston participates in the Australian pension arrangements. Further details of these arrangements are set out below and on page 38.

In the UK, annual incentive awards of up to 20% of basic salary are pensionable. The percentage of overall pay which is dependent on performance is substantial and has increased over recent years. Given the increase in the total proportion of remuneration which is variable pay, the Remuneration Committee considers that it is appropriate for a portion of such pay to be pensionable. Pension arrangements in the US provide that incentive awards under the Annual Incentive Plan are pensionable. In Australia the pension programme provides that annual incentive awards of up to 50% of basic salary are pensionable. The pensionability of such incentive awards in the UK, US and Australia is consistent with long standing arrangements for the Company's other senior executives.

(e) Share Schemes

Details of the share schemes are provided in the Report of the Directors on page 28 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 Option Plan 1994 (the "1994 Plan").

From 1994 to 1996 inclusive, options under the 1994 Plan were generally granted to Executive Directors annually to a value equivalent to 1 to 1 1/3 times annual salary subject to individual subscription limits set by institutional guidelines. The number of shares under option is reduced on a pro-rata basis if the Director leaves the Company within three years of the option grant. When the 1997 LTIP was introduced it was decided that Executive Directors would no longer participate in the 1994 Plan.

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

(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. 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 in companies not associated with Cadbury Schweppes plc. Subject to certain conditions, Executive Directors are permitted to accept appointment as Non-Executive Directors in another company. The Executive Director is permitted to retain any fees paid for such service. Unless otherwise determined by the Board, Executive Directors may not accept more than one such Non-Executive Directorship.

(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	1997 £000	1996 £000
Directors' Remuneration		
Total remuneration:		
– Fees as Directors	**204**	212
– Salaries and other benefits	**2,799**	2,732
– Annual bonus/BSRP	**1,181**	1,055
– LTIP	**133**	238
– Compensation for loss of office	**366**	–
	4,683	4,237
Pension contributions:		
– Defined benefits	**732**	1,104
Payments for former Directors or their dependants		
– Pensions	**23**	22
– Other	**112**	10
	5,550	5,373

During the year the Company provided pension contributions on behalf of Sir Dominic Cadbury as Chairman and J F Brock as the highest paid Director of £56,000 (1996: £262,000) and £125,000 (1996: D R Williams £174,000) respectively.

Individual Details	Pay and benefits: Basic Salary/Fees £000	Annual bonus/ BSRP £000	1997 LTIP £000	Allowances and benefits £000	1997 Total £000	1996 Total £000
Sir Dominic Cadbury	560	–	62	50	**672**	667
J M Sunderland	429	305	21	17	**772**	546
J F Brock	341	364	10	214	**929**	523
I D Johnston	307	157	7	46	**517**	120
D J Kappler	294	210	12	15	**531**	423
R J Stack	213	145	7	265	**630**	239
D R Williams (a)	44	–	14	4	**62**	698
T O Hutchison	56	–	–	–	**56**	55
R S Braddock (b)	31	–	–	–	**31**	–
I F H Davison	26	–	–	–	**26**	25
F B Humer	26	–	–	–	**26**	25
Mrs A M Vinton (c)	9	–	–	–	**9**	25
G H Waddell (c)	9	–	–	–	**9**	25
Sir John Whitehead	26	–	–	–	**26**	25
Baroness Wilcox (d)	21	–	–	–	**21**	–
Former Directors	–	–	–	–	**–**	841

(a) Resigned 14 February 1997
(b) Appointed 27 June 1997
(c) Resigned 8 May 1997
(d) Appointed 5 March 1997

The allowances and benefits for J F Brock, I D Johnston and R J Stack include housing and other expatriate allowances.

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 33. 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).

3 Directors' Emoluments continued

Long Term Incentive Plan

Details of the Old LTIP and the 1997 LTIP are described on pages 34 and 35. Ordinary Shares held on behalf of the Directors in trust at 29 December 1996 and at 3 January 1998, in addition to Ordinary Shares awarded to the Directors in 1997, are detailed below together with cash awards made in the year. All awards set out below are in respect of the Old LTIP.

	Shares held in trust at 29 December 1996	Share Awards (b)	Vesting of Share Awards (c)	Share Dividends (d)	Shares held in trust at 3 January 1998	Value received in year (b) Shares £000	Cash £000
Sir Dominic Cadbury	19,529	8,410	(4,953)	321	23,307	45	46
J M Sunderland	4,119	2,277	(949)	69	5,516	13	12
J F Brock	3,290	1,665	(783)	55	4,227	3	4
I D Johnston	2,178	1,191	(491)	37	2,915	1	1
D J Kappler	1,645	1,264	(234)	31	2,706	6	6
R J Stack	1,711	959	(425)	28	2,273	2	2
D R Williams (a)	4,812	Nil	(4,812)	Nil	Nil	Nil	26

(a) D R Williams resigned on 14 February 1997, following which all remaining shares held in trust for him were distributed to him.
(b) Awards for the 1994-1996 cycle approved in March 1997. These were included in the Directors' remuneration details in the Annual Report 1996.
(c) Vesting of share awards of the 1992-1994 cycle, and accrued share dividends, in April 1997.
(d) Shares held in trust increased during 1997 as a result of share dividends.

Pensions

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

J F Brock and R J Stack are members of the US Supplemental Executive Retirement Plan ("SERP") as well as the US cash balance pension plan and excess plan. The SERP is a defined benefit retirement plan with a pension paid on retirement based on salary and length of service. Combined benefits are 50% of a three year average of final pensionable earnings after 15 years service and 60% after 25 or more years service. Directors may retire at age 60 without a reduction factor applied to accrued benefits.

I D Johnston is a member of the Australian Cadbury Schweppes Superannuation Fund and the Sweetenam Investments Fund. Both are defined benefit plans paying out a lump sum on retirement based on salary and length of service.
Mr Johnston's agreed benefits will be 6.896 times the three year average of final pensionable earnings at his normal retirement age of 60.

3 **Directors' Emoluments** continued	Accrued benefit at 3 January 1998 Pension £000	Lump sum £000	Increase in year net of inflation £000	Increase in transfer value less member's contribution £000
UK Pension Arrangements				
Sir Dominic Cadbury	366	–	6	71
J M Sunderland	272	–	32	494
D J Kappler	140	–	25	374
D R Williams	240	–	2	415(a)
US Pension Arrangements				
J F Brock (b)	205	–	18	89
R J Stack (b)	68	–	8	35
Australian Retirement Arrangements				
I D Johnston	–	1,119	166	108

(a) Of this amount £251,000 relates to a contribution from the Company in compensation for loss of office.
(b) The pension arrangements for J F Brock and R J Stack are made in US Dollars, and converted for the purpose of this information only at the rate of US$1.64 = £1.

4 Directors' Interests in Ordinary Shares and Share Options

The interests of the Directors holding office at 3 January 1998 ("1997") and at 29 December 1996, the beginning of the year (or the date of appointment if later) ("1996"), in the Share Capital of the Company are detailed below:

	Ordinary Shares of 25p (a)		Options over Ordinary Shares of 25p (b)			
Table 1	1996	**1997**	1996	Granted (c)	Exercised (d)	**1997**
Sir Dominic Cadbury	605,864	**688,355**	382,232	3,667	Nil	**385,899**
R S Braddock (f)	Nil	**8,000**	Nil	Nil	Nil	**Nil**
J F Brock (e)	13,486	**57,890**	319,169	1,420	6,748	**313,841**
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	34,212	**86,576**	250,336	3,000	82,453	**170,883**
D J Kappler	21,683	**63,266**	202,213	1,466	64,077	**139,602**
R J Stack (e)	13,496	**46,415**	163,489	1,420	1,748	**163,161**
J M Sunderland	45,949	**114,033**	369,883	1,466	52,855	**318,494**
Sir John Whitehead (f)	3,671	**1,251**	Nil	Nil	Nil	**Nil**
Baroness Wilcox (f)	Nil	**2,183**	Nil	Nil	Nil	**Nil**
	749,993	**1,079,601**	1,687,322	12,439	207,881	**1,491,880**

(a) Directors' holdings of Ordinary Shares include shares held in trust under both the Long Term Incentive Plan and the Bonus Share Retention 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 on page 40.
(d) Details of individual exercises of options during the year are given in Table 3 on page 40.
(e) In respect of options exercised see note * to Table 3 on page 40.
(f) None of the Non-Executive Directors had any interests in the share option schemes of the Group.

Report of the Remuneration Committee

continued

4 **Directors' Interests** continued

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
Sir Dominic Cadbury	3,667	470.4	22 October 1997	aa
J F Brock	1,344	US$7.4242	10 April 1997	ha
I D Johnston	3,000	AUS$9.89	14 April 1997	ga
D J Kappler	1,466	470.4	22 October 1997	aa
R J Stack	1,344	US$7.4242	10 April 1997	ha
J M Sunderland	1,466	470.4	22 October 1997	aa

A summary of options exercised during the year is given in Table 1. Details of individual exercises of options during the year, divided between savings-related options and executive options, together with the weighted average market price of the Shares at the date of exercise, are given below:

Table 3	Number of Shares	Type of Option See Code in Note 30 on the Accounts	Weighted average exercise price £	Weighted average market price on exercise £	Notional gain £
J F Brock	5,000	ca	3.1973	4.8950	8,489
	1,748*	*	3.6463	5.4150	3,092
					11,581
I D Johnston	82,453	ca/cb/cc	3.6587	5.4100	144,401
D J Kappler	61,985	bb/bc/bd	4.2518	5.3400	67,451
	2,092	†	3.1179	5.1400	4,230
					71,681
R J Stack	1,748*	*	3.6463	5.4150	3,092
J M Sunderland	52,855	ba	2.9987	5.3576	124,678

The total notional gains on exercise amounted to £355,433 (1996: £546,941).

*The number of Ordinary Shares acquired by J F Brock and R J Stack under the United States and Canada Employee Stock Purchase Plan 1994 included 1,672 shares originally granted plus 76 shares which were attributable to the interest earned on the savings. The exercise period expired on 19 May 1997.

†Exercise of option was under the Savings-Related Share Option Scheme 1982, the exercise period for which expired on 31 July 1997.

The market prices of Ordinary Shares at 30 December 1996 and 2 January 1998, the first and last dealing days in the year, were 488.5p and 622p respectively.

4 **Directors' Interests** continued

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, 3 January 1998, are given below:

Table 4	Number of Shares over which Options have been granted	Weighted average Price in pence per Share
Sir Dominic Cadbury	385,899	443.70
J F Brock	313,841	424.53
I D Johnston	170,883	468.11
D J Kappler	139,602	478.29
R J Stack	163,161	447.11
J M Sunderland	318,494	463.78

There were the following changes in the interests of Directors between 4 January 1998 and 4 March 1998:

(a) On 6 January 1998 Sir Dominic Cadbury exercised an option over 645 Ordinary Shares at 325.4p under the Savings-Related Share Option Scheme 1982, retaining the acquired shares.

(b) On 6 January 1998 D J Kappler exercised an option over 2,304 Ordinary Shares at 325.4p under the Savings-Related Share Option Scheme 1982, retaining the acquired shares.

(c) On 3 February 1998 Sir Dominic Cadbury exercised an option over 5,848 Ordinary Shares at 230.81p under the Savings-Related Share Option Scheme 1982, retaining the acquired shares.

(d) As a consequence of the establishment of the QUEST (see page 28 Report of the Directors) 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 4 March 1998 the QUEST acquired a total of 5,135,164 Ordinary Shares in the Company by subscription at prices between 230.81p and 762.50p per share. Those Ordinary Shares were all transferred by the QUEST to individuals who had exercised options under the Savings-Related Share Option Scheme 1982. At 4 March 1998 the QUEST held no Ordinary Shares in the Company.

All the interests in this section were beneficial. The non-beneficial interests of Sir Dominic Cadbury were 778,105 Ordinary Shares (1996: 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 4 January 1998 and 4 March 1998.

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

David Kappler
Group Finance Director

Financial Review

- On course to achieve medium term financial performance objectives
- Continuing businesses grow trading profit by 10%
- Sale of CCSB for £623 million; borrowings reduced to £649 million

Performance Measurement

Early in 1997 the Group defined three key medium term financial performance targets as part of the Managing for Value agenda:

- double Shareholder value within five years
- consistently deliver double digit earnings per share growth
- generate at least £150 million of free cash flow per year

These are not financial forecasts, but represent performance goals which can be used by Management and Shareholders to measure the Group's progress over the coming years. In 1997, the Group performed well against each of these key measures.

Shareholder Return

To meet the Shareholder value target, the average value of a Shareholder's investment in the Group in the year 2001 should be double its level in 1996, assuming the shares are held throughout that period and all dividends re-invested. This measure of growth in value of a Shareholder's investment is known as Total Shareholder Return ("TSR"). The Group needs to deliver a compound annual TSR of 15% to achieve our five year target; in 1997, its TSR was 17%, which is a positive start.

Earnings Growth

Table 1 isolates the impact of disposal profits and foreign exchange effects on earnings per share ("EPS"). The result is a 9% increase in underlying EPS and a 16% increase in underlying EPS at

Table 1

Earnings per share	1997 pence	1996 pence	Increase %	Increase at constant exchange rates %
FRS 3 EPS	**68.7**	34.1	101	109
Less effect of profit on disposal of subsidiaries, net of tax	**(31.5)**	–	–	–
Underlying EPS	**37.2**	34.1	9	16

constant exchange rates. This 16% improvement stems mainly from increased sales volumes (4%), higher margins (7%) and the benefit of our strong free cash flow (2%), with the balance coming from a mix of factors, including a lower charge for restructuring costs. It is a healthy reflection of the strong underlying earnings and growth potential of the Group.

Free Cash Flow

Free cash flow increased to £157 million in 1997 from £137 million in 1996, and exceeded our performance target. Free cash flow is the amount of cash generated by the business after meeting all our obligations for interest, tax and dividends and after all capital investment.

The increase was driven mainly by operating cash flow, which increased by £52 million on a continuing operations basis, together with a £41 million decrease in interest paid due to lower debt levels and continuing low interest rates and despite the impact of the sale of CCSB which, in 1996, had a free cash flow of £25 million. As Table 2 indicates, the Group has continued a trend of increasing free cash flow by focusing on cash generative businesses and opportunities.

Table 2

Underlying Free Cash Flow	**1997 £m**	1996 £m	1995 £m
Cash flow from operating activities	**733**	869	791
Capital expenditure	**(204)**	(256)	(227)
Taxation, returns on investment and servicing of finance	**(205)**	(327)	(308)
Ordinary dividends	**(167)**	(149)	(55)
One-off saving from enhanced scrip dividend	**–**	–	(101)
Underlying free cash flow	**157**	**137**	**100**

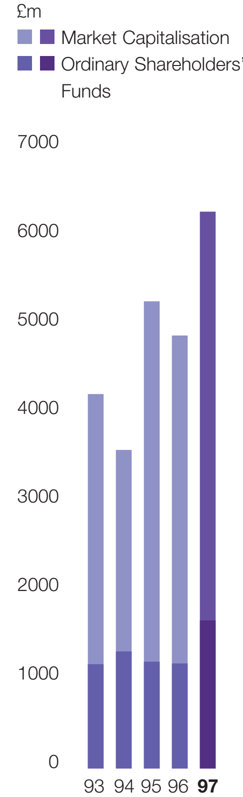
Capital Structure and Dividends

As Table 3 indicates, market capitalisation increased by over £1.4 billion during 1997, driven by a $133\frac{1}{2}$p increase in the share price to 622p at year end. Net borrowings of the Group at year end of £649 million represent 10% of total market capitalisation. We do not believe that such low levels of debt are efficient nor in the best interests of Shareholders, as they increase the Group's weighted average cost of capital. We are continually assessing further investment opportunities to generate returns for Shareholders and, in addition, evaluating other means of achieving a more efficient capital structure, including returning cash to Shareholders.

Authority for the Company to purchase its own shares is therefore being requested from Shareholders at the Annual General Meeting in May. UK legislation is likely to enable the Company to do this in a tax neutral manner and so next year return cash to Shareholders as and if appropriate without incurring additional tax liabilities.

The total dividend for the year of 18p is 6% higher than in 1996. The interim dividend was paid as a Foreign Income Dividend ("FID") and it is proposed that the final dividend should also be paid as a FID. These actions will reduce the Group's net tax payments by £38 million in 1998 and a further £8 million in 1999; they also enhance the Group's longer term tax position in the light of the announced abolition of Advance Corporation Tax in April 1999. In prior years, the use of FIDs

Table 3
Ordinary Shareholders' Funds/Market Capitalisation
£m



would have precluded certain of our Shareholders (mainly pension funds) from obtaining repayment of tax credits attached to dividends; however a change in the tax law during the year has meant that these tax credits are no longer available to pension funds. Thus, payment of dividends as FIDs has a beneficial effect on the Group and a neutral effect on most Shareholders. Details were set out in a letter to Shareholders from the Chairman dated 3 October 1997.

Trading Performance

Acquisitions and disposals, together with the dramatic strengthening of sterling, mean that year on year comparisons of the Group's trading performance are complex. Table 4 strips out these effects to show sales and trading profit growth of 6% and 10% respectively from the businesses remaining in the Group. In a generally low inflation environment, this performance reflects growth in sales volumes, an improvement in sales mix and good progress by many businesses in reducing their cost base. Underlying trading performance is discussed further in the Beverages and Confectionery Stream Reviews and the effects of acquisitions, disposals and the strength of sterling are discussed under the relevant headings below.

Table 4

Analysis of Results	1996	Exchange effects	Acquisitions/ disposals	Organic growth	1997
Beverages – continuing operations	1,954	(157)	(5)	161	1,953
Confectionery	2,240	(146)	53	73	2,220
Sales – continuing operations	4,194	(303)	48	234	4,173
Change %		–7%	+1%	+6%	–1%
Beverages	321	(20)	–	41	342
Confectionery	267	(15)	11	19	282
Trading profit*	588	(35)	11	60	624
Discontinued operations	124	–	(120)	–	4
Major restructuring costs	(41)	–	–	21	(20)
Associates	31	(2)	–	3	32
Operating profit	702	(37)	(109)	84	640
Change %		–5%	–16%	+12%	–9%
UK	107	–	1	20	128
Europe	55	(11)	–	15	59
Americas	304	(14)	6	22	318
Pacific Rim	87	(7)	–	(2)	78
Africa and Others	35	(3)	4	5	41
Trading profit*	588	(35)	11	60	624
Change %		–6%	+2%	+10%	+6%

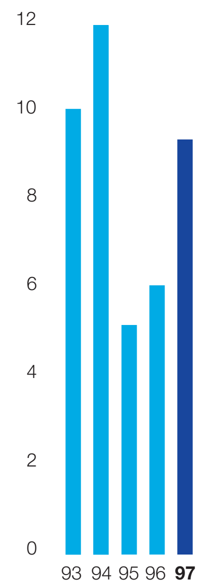
*From continuing operations before major restructuring costs

As Table 4 shows, the 1997 results have also benefited from a £21 million reduction in the expenditure on major restructuring activities. The £20 million of restructuring costs which were incurred in 1997 resulted mainly from rationalisation of operations in the Americas region of the Beverages stream and from restructuring programmes in the British Isles confectionery operations. As we have said in the past, we expect restructuring costs of this magnitude to remain a feature of our business as we continue to seek out best practice and adapt to changes in the market place.

The £45 million reduction in the interest charge, from £110 million to £65 million, reflects 10½ months' benefit from the CCSB sale proceeds, plus savings from the Group's Free Cash Flow, offset by the effect of cash outlays on acquisitions and redemption of $175 million of preference shares. Table 5 shows the increase in interest cover in the year to 9.4 times.

Table 5
Interest cover

times



Acquisitions and Disposals

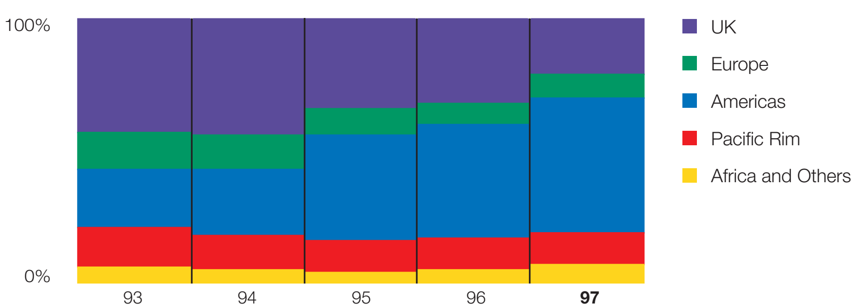
- In February 1997 we concluded the disposal of our 51% share in Coca-Cola & Schweppes Beverages Ltd ("CCSB") for £623 million, earning a pre-tax profit on disposal of £442 million; results of CCSB have been segregated as discontinued operations in the profit and loss account.
  Although the sale of CCSB reduces the Group's trading profits, in a full year this has no significant effect on our underlying earnings per share, mainly because the reduction in trading profit is offset by savings in interest and the lower minority share of Group profits.
- We continued to make acquisitions in strategic confectionery markets including Jaret International Inc., a US sugar confectionery distributor in January; Bim Bim, an Egyptian confectionery company in February; and La Pie Qui Chante, a French confectionery business in December.
- Shareholdings in two of the Group's successful confectionery subsidiaries, Piasten (Germany) and Cadbury Stani (Argentina), were increased during the year.
- Disposal of non-strategic operations continued, with the sales of Sodastream Ltd, a UK based manufacturer of equipment for carbonated soft drinks made in the home, and Hulley & Rice, a speciality food business in South Africa.

Impact of the Strength of Sterling

Our business remains evenly balanced between Beverages and Confectionery, with each stream contributing close to 50% of sales and trading profit. Of note this year, however, is that for the first time over half of the Group's trading profit was earned in the Americas, whereas just one fifth was earned in the UK. This is a significant shift from the Group's traditional geographical spread and reflects the increasing globalisation of the business.

One consequence of this is that, in common with most multinationals, we are more exposed

Table 6
Analysis of Group Trading Profit by Region

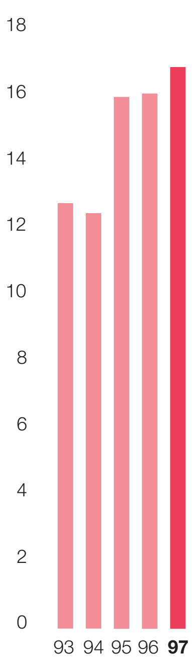


to the effects of exchange rate fluctuations. However, our currency hedging practices and our local or regional product sourcing arrangements mean that, overall, the Group is relatively well protected against serious adverse commercial consequences from currency fluctuations.

On the other hand, the Group's reported results can be affected significantly by changes from one year to the next in the exchange rates used to translate the results of foreign subsidiaries. In 1997 compared with 1996, the average value of most currencies declined against sterling, for example by 4% in the case of the US dollar, 11% for the Australian dollar and 19% for the French franc. As a consequence of this, as Table 4 illustrates, the reported sales and trading profit from the Group's continuing operations were lower, by £303 million (7%) and £35 million (6%) respectively, than would have been the case if the exchange rates prevailing during 1996 had applied.

At the end of the year, sterling was stronger still and if the year end rates had applied throughout 1997, sales, trading profit and underlying earnings per share would all have been lower by a further 3%.

Table 7
Marketing Expenditure as a percentage of Sales*



*from continuing operations

It should be noted that the Group's exposure to the Asian economic crisis is very limited. Only 12.5% of the Group's trading profit is earned in the Pacific Rim and most of this is in Australia and New Zealand, which are only indirectly affected by the economic problems in the rest of the region.

Taxation

The Group's effective tax rate of 28.9% on profit excluding disposal gains has decreased from 30.4% in 1996. The reduction mainly reflects the elimination of CCSB, which was taxed at an above-average rate in 1996. The low rate of tax on the disposal gain (23.1%) is due to indexation relief.

Investments in the Business

In addition to the acquisitions discussed above, the Group has also invested in its underlying businesses. Capital expenditure in continuing operations was £209 million and included projects such as construction of a Mott's plant in Tecate, Mexico, construction of a chocolate manufacturing plant in Port Elizabeth, South Africa, automation of Cadbury Ltd's Roses packing lines and the ongoing worldwide implementation of an integrated enterprise computer system.

Marketing expenditure in continuing operations was £706 million; at constant exchange rates this is an 11% increase on 1996. This expenditure reflects the Group's commitment to investment in its brands, both those which have been acquired and are recorded on the Group's balance sheet and those which have been developed internally. We will adopt the provisions of Financial Reporting Standard 10 "Goodwill and Intangible Assets" in 1998 and are pleased that this standard embraces an approach to acquired brands that we have long supported and used in our own accounts.

Risk Management

Management of the financial risks of the Group is an important aspect of ensuring that the businesses continue to create value for Shareholders. Risk management is carried out through wide-ranging risk reviews, a comprehensive system of internal controls, a global insurance programme and the active review by an internal audit department of financial and operational exposures of the business.

One of the risks facing all businesses in the next two years is the impact of the Year 2000 on all types of systems and equipment. A high level taskforce is spearheading the Group's Millennium project and is disseminating best practice across the Group. The project team is continually monitoring the progress made by all business units and reports to the Board on a regular basis. These efforts, and the integrated enterprise system implementation discussed previously, are mitigating our risk in this area and, based on the information currently available, we are confident that business disruption from the Millennium bug will not be major. The revenue costs to overcome this problem could be in the order of £25 million, spread over the next two years.

Recognising that the introduction of the euro in January 1999 will have both business and systems implications, the Group set up a project team to ensure that our affected European businesses are well prepared. Because of the introduction of the integrated enterprise system, referred to above, the Group believes it is relatively well positioned to trade in euros with those customers requiring it from 1999 and subsequently to convert its ledgers to euros.

As discussed in Note 21 on the Accounts, the Group's treasury department takes steps to mitigate exposure to changes in interest rates and foreign exchange. This includes the use of derivative financial instruments, setting an optimal fixed versus floating rate profile of borrowings, monitoring the profile of debt maturities and matching foreign currency trading cash flows with borrowings of the same currency block. As noted above, while the Group actively manages its exposure to foreign currency transactions, it does not hedge profit translation exposures as such hedges can only have a temporary effect.

Financial Ratios and Stream Analysis

			1997	1996	1995
Earnings per Ordinary Share – FRS 3		pence	**68.7**	34.1	31.3
	– Underlying	pence	**37.2**	34.1	29.9
Dividends per Ordinary Share		pence	**18.0**	17.0	16.0
Interest cover		times	**9.4**	6.1	5.2
Dividend cover		times	**2.1**	2.0	1.9
Gearing ratio		%	**37**	92	102
Sales	Beverages (c)	£m	**1,953**	1,954	1,916
	Discontinued operations (d)	£m	**47**	921	893
	Confectionery	£m	**2,220**	2,240	1,967
Trading profit (a)	Beverages (c)	£m	**342**	321	289
	Discontinued operations (d)	£m	**4**	124	120
	Confectionery	£m	**282**	267	240
Operating assets	Beverages (c)	£m	**273**	255	327
	Discontinued operations (d)	£m	**–**	214	199
	Confectionery	£m	**1,041**	1,028	995
Trading margin (a)(c)	Beverages	%	**17.5**	16.4	15.1
	Confectionery	%	**12.7**	11.9	12.2
Operating asset turnover (c)	Beverages	times	**7.4**	6.7	6.4
	Confectionery	times	**2.2**	2.2	2.1

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

$$\frac{\text{Net borrowings}}{\text{Ordinary Shareholders' funds (b)} + \text{Equity minority interests}}$$

Operating assets

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

Trading margin

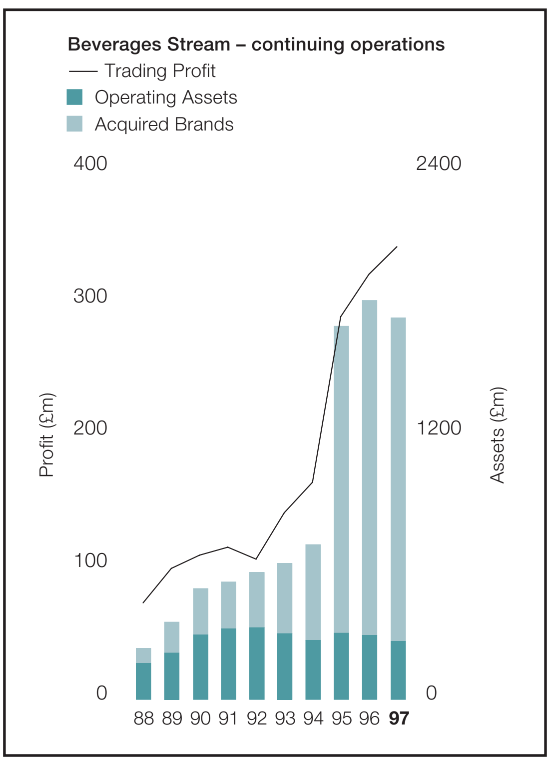
$$\frac{\text{Trading profit (a)}}{\text{Sales}}$$

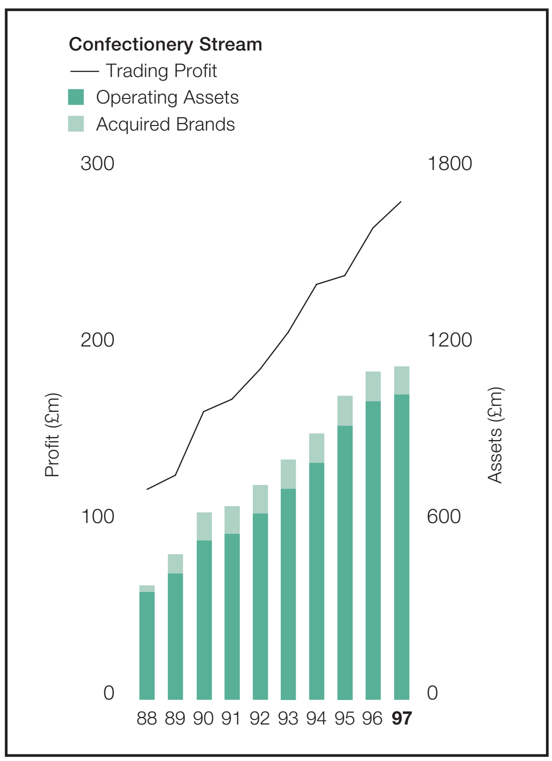
Operating assets turnover

$$\frac{\text{Sales}}{\text{Average operating assets}}$$

(a) Excluding restructuring costs (see Note 3)
(b) After stating preference shares at their redemption value (see Note 22(e))
(c) From continuing operations
(d) Discontinued operations represent the Group's former UK bottling operations

1994	1993	1992	1991	1990	1989	1988
30.2	29.4	25.4	26.0	23.9	25.0	25.5
30.2	28.3	25.4	26.0	23.9	22.8	18.4
15.0	13.8	12.5	11.8	10.9	10.1	8.7
12.0	10.1	7.3	6.4	5.9	8.8	11.8
2.0	2.0	2.0	2.2	2.2	2.3	2.1
24	27	37	40	50	63	(1)
1,409	1,316	1,172	1,137	1,093	998	828
794	749	731	708	730	661	524
1,827	1,660	1,469	1,387	1,323	1,118	1,008
164	141	106	115	109	99	73
129	106	91	77	62	46	35
235	208	187	170	163	127	119
275	261	338	315	326	260	162
316	367	344	273	239	208	192
863	743	686	576	548	531	324
11.6	10.7	9.0	10.1	10.0	9.9	8.8
12.9	12.5	12.7	12.3	12.3	11.4	11.8
5.3	4.4	3.6	3.5	3.7	4.7	5.0
2.3	2.3	2.3	2.5	2.5	2.6	2.8





Group Financial Record

Sales and Profits	1997 £m	1996 £m	1995 £m
Sales			
United Kingdom	**1,069**	1,893	1,830
Europe	**788**	879	890
Americas	**1,478**	1,456	1,222
Pacific Rim	**573**	614	575
Africa and Others	**312**	273	259
	4,220	5,115	4,776
Operating Profit			
United Kingdom	**149**	247	232
Europe	**64**	60	72
Americas	**318**	304	261
Pacific Rim	**78**	87	75
Africa and Others	**51**	45	37
	660	743	677
Major restructuring (a)	**(20)**	(41)	(49)
	640	702	628
Disposal of subsidiaries, investments and properties	**412**	–	14
Net interest	**(65)**	(110)	(116)
Profit before Taxation	**987**	592	526
Taxation	**(261)**	(180)	(158)
Minority interests and Preference dividends	**(35)**	(72)	(68)
Profit for the Financial Year	**691**	340	300
Dividends to Ordinary Shareholders	**(182)**	(171)	(159)
Profit Retained for the Financial Year	**509**	169	141

Cash Flows (b)	1997 £m	1996 £m	1995 £m
Operating activities	**733**	869	791
Capital expenditure	**(204)**	(256)	(227)
Taxation, returns on investments and servicing of finance	**(205)**	(327)	(308)
Ordinary dividends	**(167)**	(149)	(55)
Free cash flow	**157**	137	201
Acquisitions, disposals and investments	**36**	(153)	(1,170)
Cash flow before use of liquid resources and financing	**193**	(16)	(969)

Balance Sheets	1997 £m	1996 £m	1995 £m
Assets employed:			
Intangible fixed assets	**1,575**	1,547	1,689
Tangible fixed assets	**1,221**	1,398	1,432
Fixed asset investments	**73**	69	60
Working capital	**3**	(7)	(25)
Provisions	**(248)**	(106)	(125)
	2,624	2,901	3,031
Financed by:			
Net borrowings	**649**	1,227	1,344
Minority interests	**306**	387	371
Preference share capital (c)	**–**	104	113
Ordinary Shareholders' funds	**1,669**	1,183	1,203
	2,624	2,901	3,031

(a) Includes acquisition-related restructuring from 1995 onwards (prior to this such costs were included in goodwill)
(b) Cash flow statements were not prepared prior to 1990
(c) Stated at redemption value

1994 £m	1993 £m	1992 £m	1991 £m	1990 £m	1989 £m	1988 £m
1,729	1,614	1,546	1,506	1,476	1,258	1,024
775	741	701	656	638	480	391
767	644	513	438	404	372	387
539	508	448	491	495	546	461
220	218	164	141	133	121	97
4,030	3,725	3,372	3,232	3,146	2,777	2,360
231	195	186	160	143	99	86
75	69	55	80	68	59	46
132	101	72	42	43	36	19
67	69	56	64	58	61	50
38	34	29	25	18	18	16
543	468	398	371	330	273	217
(23)	(19)	(13)	–	–	–	(13)
520	449	385	371	330	273	204
–	10	(1)	1	4	17	95
(42)	(43)	(51)	(57)	(57)	(31)	(17)
478	416	333	315	277	259	282
(155)	(129)	(94)	(88)	(78)	(70)	(98)
(61)	(50)	(43)	(34)	(26)	(17)	(23)
262	237	196	193	173	172	161
(131)	(117)	(98)	(88)	(80)	(76)	(55)
131	120	98	105	93	96	106

1994 £m	1993 £m	1992 £m	1991 £m	1990 £m
674	612	506	459	444
(222)	(183)	(170)	(184)	(185)
(243)	(148)	(150)	(127)	(146)
(123)	(96)	(86)	(79)	(73)
86	185	100	69	40
(84)	(480)	(251)	(48)	(182)
2	(295)	(151)	21	(142)

1994 £m	1993 £m	1992 £m	1991 £m	1990 £m	1989 £m	1988 £m
522	546	385	308	304	307	104
1,346	1,288	1,241	1,054	979	821	602
200	196	42	34	17	25	21
25	(65)	7	(20)	44	68	17
(115)	(98)	(83)	(54)	(96)	(116)	(66)
1,978	1,867	1,592	1,322	1,248	1,105	678
351	357	378	333	364	425	(3)
128	145	130	112	116	85	91
180	192	189	156	152	–	3
1,319	1,173	895	721	616	595	587
1,978	1,867	1,592	1,322	1,248	1,105	678

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 Group's profit or loss and cash flows 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 53 to 81 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 53 to 55. We have also examined the amounts disclosed relating to the emoluments, share options, long term incentive scheme interests and pension benefits of the directors which form part of the report of the Remuneration Committee on pages 33 to 41.

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 3 January 1998 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
4 March 1998

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

(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.

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 the profit and loss account on the same basis as shown above. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account. All other leases are "operating leases" and the relevant annual rentals are charged wholly to the profit and loss account.

(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

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 53 weeks ended 3 January 1998 (Note 1)

Notes		1997 £m	1996 £m
	Turnover*		
	Continuing operations	**4,173**	4,194
2	Discontinued operations	**47**	921
		4,220	5,115
3	**Operating costs**		
	Trading expenses	**(3,592)**	(4,403)
	Major restructuring costs	**(20)**	(41)
		(3,612)	(4,444)
	Trading Profit*		
	Continuing operations	**604**	547
2	Discontinued operations	**4**	124
		608	671
	Share of profits of associated undertakings	**32**	31
	Operating Profit	**640**	702
2	Profit on sale of subsidiaries	**412**	–
	Profit on Ordinary Activities Before Interest	**1,052**	702
6	Net interest	**(65)**	(110)
3,7	**Profit on Ordinary Activities Before Taxation**	**987**	592
8	Tax on profit on ordinary activities		
	– On operating profit and interest	**(166)**	(180)
	– On profit on sale of subsidiaries	**(95)**	–
		(261)	(180)
	Profit on Ordinary Activities After Taxation	**726**	412
23	Equity minority interests	**(12)**	(44)
23	Non-equity minority interests	**(22)**	(23)
9	Preference dividends	**(1)**	(5)
	Profit for the Financial Year	**691**	340
9	Dividends paid and proposed to Ordinary Shareholders	**(182)**	(171)
	Profit Retained for the Financial Year	**509**	169
10	**Earnings per Ordinary Share of 25p**		
	– FRS 3	**68.7p**	34.1p
	– Underlying	**37.2p**	34.1p

*The stream and geographical analysis of turnover and trading profit is on page 60 and shows trading profit of £628m (1996: £712m) which excludes major restructuring costs.

Recognised Gains and Losses
Movements in Shareholders' Funds

for the 53 weeks ended 3 January 1998 (Note 1)

Statement of Total Recognised Gains and Losses

	1997 £m	1996 £m
Cadbury Schweppes plc	**455**	130
Subsidiary undertakings	**226**	199
Associated undertakings	**10**	11
Profit for the Financial Year	**691**	340
Currency translation differences	**(56)**	(124)
Total Recognised Gains and Losses for the Year	**635**	216

Reconciliation of Movements in Shareholders' Funds

	1997 £m	1996 £m
Total recognised gains and losses for the year	**635**	216
Dividends to Ordinary Shareholders	**(182)**	(171)
New share capital subscribed	**39**	33
Goodwill adjustments (see Notes 2 and 24)	**(3)**	(104)
Redemption of Preference Shares (see Note 22(e))	**(107)**	–
Other	**–**	(3)
Net increase/(decrease) in Shareholders' Funds	**382**	(29)
Shareholders' Funds at beginning of year	**1,287**	1,316
Shareholders' Funds at end of year	**1,669**	1,287

Balance Sheets

at 3 January 1998 (Note 1)

Notes		Group 1997 £m	Group 1996 £m	Company 1997 £m	Company 1996 £m
	Fixed Assets				
11	Intangible assets	**1,575**	1,547	**–**	–
12	Tangible assets	**1,221**	1,398	**16**	16
13	Investments	**73**	69	**4,165**	4,194
		2,869	3,014	**4,181**	4,210
	Current Assets				
14	Stocks	**419**	436	**–**	–
15	Debtors – due within one year	**693**	827	**108**	136
	– due after one year	**18**	64	**8**	29
20	Investments	**682**	75	**98**	–
20	Cash at bank and in hand	**86**	91	**–**	–
		1,898	1,493	**214**	165
	Current Liabilities				
	Creditors: amounts falling due within one year				
20	Borrowings	**(744)**	(596)	**(1,436)**	(1,567)
16	Other	**(1,084)**	(1,306)	**(179)**	(204)
	Net Current Assets (Liabilities)	**70**	(409)	**(1,401)**	(1,606)
	Total Assets less Current Liabilities	**2,939**	2,605	**2,780**	2,604
	Non-current Liabilities				
	Creditors: amounts falling due after more than one year				
20	Borrowings	**(673)**	(797)	**(879)**	(1,010)
16	Other	**(43)**	(28)	**–**	–
17	Provisions for liabilities and charges	**(248)**	(106)	**(101)**	(2)
		(964)	(931)	**(980)**	(1,012)
		1,975	1,674	**1,800**	1,592
	Capital and Reserves				
	Attributable to equity interests				
22	Called up share capital	**252**	250	**252**	250
22	Share premium account	**878**	838	**878**	838
22	Capital redemption reserve	**87**	–	**87**	–
22	Revaluation reserve	**67**	76	**1**	1
22	Profit and loss account	**385**	36	**582**	416
		1,669	1,200	**1,800**	1,505
	Attributable to non-equity interests				
22	Called up share capital	**–**	–	**–**	–
22	Share premium account	**–**	87	**–**	87
		1,669	1,287	**1,800**	1,592
	Minority Interests				
23	Equity minority interests	**68**	158	**–**	–
23	Non-equity minority interests	**238**	229	**–**	–
		306	387	**–**	–
		1,975	1,674	**1,800**	1,592

On behalf of the Board
Directors: Sir Dominic Cadbury
D J Kappler
4 March 1998

Group Cash Flow Statement

for the 53 weeks ended 3 January 1998 (Note 1)

Notes		1997 £m	1996 £m
27	**Cash flow from operating activities**	**733**	869
	Returns on investments and servicing of finance		
	Interest paid	**(136)**	(123)
	Interest received	**71**	17
	Dividends paid to minority interests	**(27)**	(60)
	Dividends paid on Cadbury Schweppes plc Preference Shares	**(1)**	(5)
		(93)	(171)
	Taxation	**(112)**	(156)
	Capital expenditure and financial investments		
	Purchases of tangible fixed assets	**(213)**	(262)
	Disposals of tangible fixed assets	**9**	6
		(204)	(256)
	Acquisitions and disposals		
24	Acquisitions of businesses	**(95)**	(135)
17	Expenditure on post-acquisition restructuring	**(15)**	(18)
	Proceeds from sale of investments in subsidiary undertakings*	**146**	–
		36	(153)
	Dividends paid to ordinary shareholders	**(167)**	(149)
	Cash inflow/(outflow) before use of liquid resources and financing	**193**	(16)
	Management of liquid resources		
	Net change in commercial paper investments	**(235)**	–
	Redemption of loan notes*	**180**	–
	Net change in bank deposits	**(80)**	(24)
	Net change in bond investments	**(14)**	(5)
	Sale of money market fund	**–**	13
		(149)	(16)
	Financing		
22	Issues of Ordinary Shares	**33**	20
22	Redemption of Preference Shares	**(107)**	–
	Issues of shares to minorities in subsidiary undertakings	**5**	6
	Proceeds of new borrowings	**433**	395
	Borrowings repaid	**(402)**	(368)
	Proceeds of finance leases	**6**	4
	Capital element of finance leases repaid	**(6)**	(11)
	Net cash (outflow)/inflow from financing	**(38)**	46
	Increase in cash	**6**	14

	1997 £m	1996 £m
Free cash flow		
Cash inflow/(outflow) before use of liquid resources and financing	**193**	(16)
Add back:		
Cash flows from acquisitions and disposals	**(36)**	153
	157	137

*£458m of the proceeds on the disposal of CCSB (Note 2) were initially received as loan notes and £15m of borrowings were left in CCSB on disposal; these items are shown in the movement in net borrowings (Note 20) rather than as sale proceeds in the Group Cash Flow Statement. All of the £458m loan notes have now been realised as cash, including £180m redeemed prior to the year end.

Sales, Trading Profit, Operating Assets and Trading Margin Analysis

for the 53 weeks ended 3 January 1998 (Note 1)

1997	Total **£m**	United Kingdom **£m**	Europe **£m**	Americas **£m**	Pacific Rim **£m**	Africa and Others **£m**
Sales (a)						
Beverages	2,000	114	361	1,211	222	92
Confectionery	2,220	955	427	267	351	220
	4,220	1,069	788	1,478	573	312
Trading Profit (a)(b)						
Beverages	346	–	36	277	19	14
Confectionery	282	132	23	41	59	27
	628	132	59	318	78	41
Operating Assets						
Beverages	273	(39)	63	168	55	26
Confectionery	1,041	353	243	106	187	152
	1,314	314	306	274	242	178
Trading Margin (b)	%	%	%	%	%	%
Beverages	17.3	–	10.0	22.9	8.6	15.2
Confectionery	12.7	13.8	5.4	15.4	16.8	12.3
	14.9	12.3	7.5	21.5	13.6	13.1

(a) United Kingdom beverages includes sales and trading profit of £47m and £4m relating to discontinued operations
(b) Excluding major restructuring costs of £20m (see Note 3)

1996	Total £m	United Kingdom £m	Europe £m	Americas £m	Pacific Rim £m	Africa and Others £m
Sales (a)						
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 (a)(b)						
Beverages	445	113	27	271	20	14
Confectionery	267	118	28	33	67	21
	712	231	55	304	87	35
Operating Assets (a)						
Beverages	469	203	77	95	74	20
Confectionery	1,028	354	251	95	230	98
	1,497	557	328	190	304	118
Trading Margin (b)	%	%	%	%	%	%
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

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

Trading profit for beverages and confectionery in the United Kingdom is stated after deducting corporate costs.

Notes on the Accounts

1 Group Accounts

The profit and loss accounts cover the 53 weeks from 29 December 1996 to 3 January 1998 and the 52 weeks from 31 December 1995 to 28 December 1996. The balance sheets for 1997 and 1996 have been drawn up at 3 January 1998 and 28 December 1996 respectively.

2 Profit on sale of subsidiaries

In 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. In September 1997 the Group disposed of its wholly-owned subsidiary Sodastream Ltd, a UK based manufacturer of equipment for carbonated soft drinks made in the home.
In 1997 the Group also disposed of Hulley & Rice, a speciality food manufacturer in the Group's Bromor Foods division in South Africa. Additionally, as a result of an actuarial review performed during the year, it was determined that additional provisions were required for retired employees of a business previously disposed of by the Group. An analysis of these items follows:

	CCSB £m	Other £m	**Total £m**
Profit (loss) on disposal before goodwill adjustments	458	(4)	**454**
Goodwill arising on original purchase	(16)	(26)	**(42)**
Net profit (loss) on disposal before taxation	442	(30)	**412**

The turnover and trading profit of CCSB for the periods prior to disposal have been separately reported as discontinued operations in the profit and loss account. 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 operations included in the Group Cash Flow Statement are as follows:

	1997 £m	1996 £m
Cash flow from operating activities		
Operating profit	**4**	124
Depreciation	**3**	36
Other non-cash items and changes in working capital	**(19)**	16
	(12)	176
Returns on investment and servicing of finance		
Net interest paid	**–**	(7)
Minority dividend paid	**–**	(33)
	–	(40)
Taxation	**–**	(70)
Capital expenditure	**(1)**	(41)
Cash flow before use of liquid resources and financing	**(13)**	25

The balance sheet, contribution to profits and cash flows for the other businesses disposed of in the year are not material.

Notes on the Accounts

continued

3 Operating costs

	Existing businesses £m	Discontinued operations £m	Acquisitions £m	**Total £m**
(a) Operating costs are analysed as follows:				
1997				
Cost of sales	1,983	32	22	**2,037**
Distribution costs, including marketing	1,105	9	2	**1,116**
Administration expenses	431	2	6	**439**
Major restructuring costs (see below)	19	–	1	**20**
	3,538	43	31	**3,612**
1996				
Cost of sales	2,105	607	–	2,712
Distribution costs, including marketing	1,082	159	–	1,241
Administration expenses	419	31	–	450
Major restructuring costs (see below)	41	–	–	41
	3,647	797	–	4,444

	1997 £m	1996 £m
(b) Profit on ordinary activities before taxation is after charging:		
Depreciation on owned assets including container usage	**136**	165
Depreciation on assets under finance lease	**9**	18
Auditors' remuneration – audit fees	**2**	2
– other services	**1**	1
Research and development costs	**22**	21
Operating lease rentals – property	**20**	27
– plant and equipment	**20**	26

(c) Major restructuring costs

During 1997, the Group incurred £20m of costs in relation to major restructuring initiatives. This includes £11m for streamlining manufacturing and distribution arrangements in the Confectionery Stream, mainly in the British Isles, and £9m for rationalising sales, administration and manufacturing in the Beverages Stream, mainly within the Americas region. The 1996 results include £36m of restructuring costs relating to the establishment of a soft drinks manufacturing joint venture in France (including £24m of asset write downs) and £5m of acquisition related restructuring costs.

4 Employees and Emoluments

	1997 £m	1996 £m
Emoluments of employees, including directors, comprised:		
Wages and salaries	**580**	670
Social security costs	**68**	83
Other pension costs	**26**	34
	674	787

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

5 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 33 to 41.

6 Net interest

	1997 £m	1996 £m
Bank and other loans not wholly repayable within five years	**7**	35
Bank and other loans wholly repayable within five years	**102**	80
Commercial paper	**10**	16
Finance leases	**3**	4
Bank overdrafts and other short term borrowings	**4**	6
	126	141
Less: Interest capitalised (see Note 12)	**(2)**	(2)
Less: Interest on short term investments	**(59)**	(29)
	65	110

7 Profit on Ordinary Activities Before Taxation

Profit on ordinary activities before taxation from continuing operations is £575m (1996: £509m) which excludes profit on sale of subsidiaries and reflects notional interest on the proceeds from such disposals on a comparable basis for each year.

8 Tax on Profit on Ordinary Activities

	1997 £m	1996 £m
UK:		
Corporation tax at 31.5% (1996: 33%)	**68**	98
Double tax relief	**(41)**	(28)
Deferred tax (see Notes 17 and 18)	**119**	10
Associated undertaking	**5**	5
	151	85
Overseas:		
Tax payable (including withholding taxes)	**72**	75
Deferred tax (see Notes 17 and 18)	**43**	29
Associated undertakings	**3**	4
	118	108
Over provision in previous years		
– current tax	**(6)**	(6)
– deferred tax (see Notes 17 and 18)	**(2)**	(7)
	261	180

The charge of £261m (1996: £180m) has been increased by £4m (1996: £3m) 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 in 1996 (see Note 3) included £24m of asset write downs which did not involve any cash outflow and for which no tax relief was available.

9 Dividends

	1997 £m	1996 £m
Ordinary Shares – interim 5.5p per share paid (1996: 5.2p per share)	**55**	53
– final 12.5p per share proposed (1996: final 11.8p per share)	**127**	118
Preference shares (see Note 22(e))	**1**	5
	183	176

The interim dividend was paid on 21 November 1997.

Notes on the Accounts

continued

10 Earnings per Ordinary Share

(a) Earnings per Ordinary Share ("EPS") is calculated on the weighted average of 1,006 million shares (1996: 996 million) in issue during the year.

(b) The reconciliation between FRS 3 EPS and underlying EPS, and between the earnings figures used in calculating them, is as follows:

	EPS		Earnings	
	1997 pence	1996 pence	**1997 £m**	1996 £m
Earnings – FRS 3	**68.7**	34.1	**691**	340
Less: profit on sale of subsidiaries, net of tax	**(31.5)**	–	**(317)**	–
Underlying earnings	**37.2**	34.1	**374**	340

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

11 Intangible Assets

	1997 £m	1996 £m
Cost at beginning of year	**1,547**	1,689
Exchange rate adjustments	**28**	(142)
	1,575	1,547

12 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	488	1,790	113	8	14
Exchange rate adjustments	(26)	(89)	(4)	–	–
Additions	8	62	139	–	4
Acquisitions of subsidiaries	10	25	1	–	–
Sale of subsidiaries	(75)	(312)	(3)	–	–
Transfers on completion	12	109	(121)	–	–
Disposals	(6)	(50)	–	(1)	(2)
At end of year	411	1,535	125	7	16
Depreciation					
At beginning of year	(21)	(972)	–	(1)	(5)
Exchange rate adjustments	–	52	–	–	–
Depreciation for year	(9)	(136)	–	–	(1)
Sale of subsidiaries	2	191	–	–	–
Disposals	1	42	–	–	–
At end of year	(27)	(823)	–	(1)	(6)
Net book value at beginning of year	467	818	113	7	9
Net book value at end of year	384	712	125	6	10

12 Tangible Fixed Assets continued

Additions to assets in course of construction include interest capitalised in the year of £2m (1996: £2m). Cumulative interest capitalised on capital borrowed to fund construction is £9m (1996: £7m). The value of land not depreciated is £103m (1996: £143m). The net book value of plant and equipment held under finance leases was £39m (1996: £89m).

	Group		Company	
Land and buildings	**1997 £m**	1996 £m	**1997 £m**	1996 £m
Analysis of net book value:				
Freehold	**338**	417	**4**	4
Long leasehold	**32**	32	**2**	3
Short leasehold	**14**	18	**–**	–
	384	467	**6**	7
Analysis of gross value:				
At 1995 valuation – Existing use	**309**	368	**7**	8
– Alternative use	**3**	10	**–**	–
At cost	**99**	110	**–**	–
	411	488	**7**	8

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	
	1997 £m	1996 £m	**1997 £m**	1996 £m
Land and buildings at cost	**266**	372	**6**	7
Accumulated depreciation thereon	**(69)**	(78)	**(1)**	(1)
	197	294	**5**	6
Depreciation charge for the year	**7**	6	**–**	–

Commitments for capital expenditure contracted for but not provided in the Group accounts at the end of the year were £20m in 1997 and £23m in 1996 (nil for the Company in both years).

13 Investments

	Group 1997 £m	Group 1996 £m	Company 1997 £m	Company 1996 £m
(a) Analysis				
Shares in subsidiary undertakings	**–**	–	**525**	505
Loans to subsidiary undertakings	**–**	–	**3,629**	3,678
Shares in associated undertakings – Listed overseas	**25**	23	**–**	–
– Unlisted	**47**	45	**11**	11
Other unlisted investments other than loans	**1**	1	**–**	–
	73	69	**4,165**	4,194

Details of the principal subsidiary and associated undertakings are set out in Note 31.
Other unlisted investments includes the Group's 12.5% interest in ITnet Ltd, a former subsidiary.
During the year the Group purchased packaging materials from, and paid bottling fees to, L'Européenne D'Embouteillage SNC totalling £35m.

(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	8	36
Exchange rate adjustments	–	(2)
Cost at end of year	8	34
Share of reserves at beginning of year	15	9
Exchange rate adjustments	(1)	(1)
Share of profits after tax	7	17
Dividends received	(2)	(12)
Adjustments to reserves	(2)	–
Share of reserves at end of year	17	13
Net book value at beginning of year	23	45
Net book value at end of year	25	47
Market value of listed investments	131	
Tax liability if sold at this value	10	

The net book value of associated undertakings is represented by the Group share of net assets.
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 Subsidiary undertakings £m	Loans Subsidiary undertakings £m	Shares Associated undertakings £m
Cost less amount written off at beginning of year	505	3,678	11
Additions/net repayments	20	(49)	–
Cost less amount written off at end of year	525	3,629	11

14 Stocks

	Group 1997 £m	Group 1996 £m
Raw materials and consumables	**153**	154
Work in progress	**35**	33
Finished goods and goods for resale	**231**	249
	419	436

15 Debtors

	Group 1997 £m	Group 1996 £m	Company 1997 £m	Company 1996 £m
Trade debtors	**522**	643	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**96**	91
Amounts owed by associated undertakings	**3**	3	**–**	–
Tax recoverable – within one year	**22**	40	**6**	28
Advance corporation tax recoverable – within one year	**38**	–	**–**	–
– after more than one year	**8**	45	**8**	20
Other debtors – receivable within one year	**55**	80	**4**	14
– receivable after more than one year	**10**	11	**–**	9
Prepayments and accrued income	**53**	61	**2**	3
Deferred taxation – recoverable after more than one year (see Note 18)	**–**	8	**–**	–
	711	891	**116**	165

Amounts are receivable within one year unless otherwise indicated.

16 Creditors other than borrowings

		1997 Amounts due within one year £m	1997 Amounts due after one year £m	1996 Amounts due within one year £m	1996 Amounts due after one year £m
Group	Trade creditors	**224**	**–**	312	–
	Payments on account	**15**	**–**	21	–
	Bills of exchange	**8**	**–**	11	–
	Tax on profit	**75**	**8**	118	15
	Advance corporation tax	**36**	**–**	29	–
	Other taxes and social security costs	**75**	**–**	114	–
	Accruals and deferred income	**443**	**–**	487	–
	Government grants	**1**	**5**	2	6
	Other creditors	**74**	**30**	87	7
	Proposed dividends – to Ordinary Shareholders	**127**	**–**	118	–
	– to minorities	**6**	**–**	7	–
		1,084	**43**	1,306	28
Company	Amounts owed to subsidiary undertakings	**15**	**–**	33	–
	Tax on profit	**–**	**–**	–	–
	Advance corporation tax	**8**	**–**	19	–
	Accruals and deferred income	**16**	**–**	27	–
	Other creditors	**13**	**–**	7	–
	Proposed dividend to Ordinary Shareholders	**127**	**–**	118	–
		179	**–**	204	–

17 Provisions for Liabilities and Charges

	Group			Company
	Deferred taxation £m	Retirement benefits £m	Restructuring £m	£m
At beginning of year	(8)	80	26	2
Exchange rate adjustments	(1)	(2)	(1)	–
Expenditure in the year	–	(14)	(21)	–
Profit and loss account	160	12	20	99
Disposal of subsidiaries	(1)	(6)	4	–
At end of year	150	70	28	101

A further analysis of the Group deferred taxation provision is given in Note 18. The Group deferred tax asset was included in debtors in the Group Balance Sheet for 1996.
Company provisions include retirement benefits and deferred taxation (see Note 18).
The provisions for retirement benefits primarily relates to pension schemes, details of which are given in Note 19.
The charge to the profit and loss account in the year for restructuring is explained in Note 3. The restructuring expenditure in the year includes £2m in respect of restructuring charges recorded in 1997 and £19m in respect of restructuring charges recorded in prior years.

18 Deferred Taxation

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

	Group		Company	
	1997 £m	1996 £m	**1997 £m**	1996 £m
Accelerated capital allowances	**4**	8	**–**	–
Profit on sale of subsidiaries	**95**	–	**100**	–
Unutilised tax losses	**–**	(34)	**–**	–
Other timing differences	**51**	18	**–**	1
	150	(8)	**100**	1

The Group deferred taxation liability and the Company deferred taxation liability are included in provisions for liabilities and charges (see Note 17).

The potential liability for deferred taxation not provided comprised:

	Group		Company	
	1997 £m	1996 £m	**1997 £m**	1996 £m
UK accelerated capital allowances	**39**	47	**1**	–
UK property valuations	**6**	7	**1**	1
Other timing differences	**30**	41	**–**	–
	75	95	**2**	1

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 £509m at 3 January 1998. The remittance of these amounts would incur tax at substantially lower than normal rates after giving effect to foreign tax credits.

19 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 £18m (1996: £29m) included in the balance sheet represents the excess of pension costs over the amounts actually contributed.

The dates of the latest actuarial reviews of the main schemes for the principal overseas subsidiaries were: Ireland 5 April 1997, USA 1 January 1997, Australia 30 June 1997 and South Africa 1 March 1995.

The aggregate market value of these schemes at the relevant review dates was approximately £254m and the funding position was adequate.

The total pension cost for the year was £26m (1996: £34m), of which £11m (1996: £17m) related to the UK fund and £12m (1996: £13m) to the above mentioned principal overseas funds.

20 Borrowings

	1997 £m	1996 £m
Net borrowings		
Net cash – cash at bank and in hand	**86**	91
– bank overdrafts	**(45)**	(51)
	41	40
Liquid resources	**682**	75
Other short term borrowings	**(699)**	(545)
Long term borrowings	**(673)**	(797)
	(649)	(1,227)

Liquid resources include £278m (1996: £nil) of loan notes received from the sale of CCSB (see Note 2).

Reconciliation of net debt	**Total net borrowings £m**	Net cash £m	Liquid resources £m	Borrowings £m
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)
Cash flow for the year	**124**	6	149	(31)
Borrowings assumed at acquisition (Note 24)	**(19)**	–	–	(19)
Borrowings transferred at disposal	**15**	–	–	15
CCSB disposal – loan note consideration (Note 2)	**458**	–	458	–
Exchange rate adjustments	**–**	(5)	–	5
At 3 January 1998	**(649)**	41	682	(1,372)

20 Borrowings continued

		1997 Amounts due within one year £m	1997 Amounts due after one year £m	1996 Amounts due within one year £m	1996 Amounts due after one year £m
Group	**Secured**				
	Bank overdrafts	**3**	**–**	1	–
	Other loans	**4**	**3**	13	3
	European Bank for Reconstruction and Development Loan	**–**	**40**	–	–
	Unsecured				
	Floating Rate Notes 1998	**250**	**–**	–	–
	5.875% Notes 1998 (US$200m)	**122**	**–**	–	118
	8.5% Guaranteed Notes 1999 (A$75m)	**–**	**30**	–	35
	6.25% Notes 1999 (US$300m)	**–**	**182**	–	177
	8% Notes 2000 (£150m)	**–**	**144**	–	140
	5.125% Guaranteed Notes 2001 (DM300m)	**–**	**119**	–	120
	11.5% Senior Subordinated Discount Notes 2002	**–**	**–**	23	–
	Obligations under perpetual loan (FFr 822m)	**8**	**75**	8	93
	Obligations under fixed rate notes	**17**	**44**	15	61
	Commercial paper (A$198m and C$41m)	**96**	**–**	219	–
	Master notes (US$250m)	**152**	**–**	148	–
	Bank loans in foreign currencies	**39**	**10**	39	13
	Bank overdrafts	**41**	**–**	50	–
	Other loans	**4**	**3**	43	3
	Obligations under finance leases (see Note 25)	**6**	**23**	9	34
	Acceptance credits	**2**	**–**	28	–
		744	**673**	596	797
Company	**Unsecured**				
	5.875% Notes 1998 (US$200m)	**122**	**–**	–	118
	6.25% Notes 1999 (US$300m)	**–**	**182**	–	177
	8% Notes 2000 (£150m)	**–**	**144**	–	140
	Commercial paper	**–**	**–**	161	–
	Loans from subsidiary undertakings	**1,312**	**553**	1,403	575
	Bank overdraft	**1**	**–**	2	–
	Other loans	**1**	**–**	1	–
		1,436	**879**	1,567	1,010

The Group's borrowings limit at 3 January 1998 calculated in accordance with the Articles of Association was £8,493m. The lowest limit to which it is subject under its borrowing facilities is £3,343m. 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 were redeemed in November 1997.
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: Bank loans and overdrafts 1997 £m	Group: Bank loans and overdrafts 1996 £m	Group: Other borrowings 1997 £m	Group: Other borrowings 1996 £m	Company: Total borrowings 1997 £m	Company: Total borrowings 1996 £m
After five years	**65**	55	**5**	10	**306**	530
Between two and five years	**59**	36	**291**	535	**391**	362
Between one and two years	**14**	17	**239**	144	**182**	118
Within one year or on demand	**93**	126	**651**	470	**1,436**	1,567
	231	234	**1,186**	1,159	**2,315**	2,577

20 Borrowings continued	Group 1997 £m	Group 1996 £m	Company 1997 £m	Company 1996 £m
Analysis of long term borrowings:				
Borrowings repayable by instalments				
– within five years	**165**	169	**–**	–
– after five years	**70**	65	**–**	–
	235	234	**–**	–
Borrowings wholly repayable after five years	**–**	–	**306**	530
	235	234	**306**	530

Borrowing facilities

At 3 January 1998, the Group had substantial amounts of undrawn committed borrowing facilities analysed as follows:

	Expiring within one year £m	Extending beyond one year £m
Revolving Credit Facilities (committed until August 2004)	–	302
Other facilities available to the Group		
– in support of commercial paper	51	–
– for other purposes	12	–
	63	302

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.

21 Derivatives and other Financial Instruments

Treasury Risk Management

The Group uses financial instruments for financing and to manage interest, foreign currency and commodity price risk. 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. 102% of net debt was at fixed or capped rates of interest at year end. Assuming no changes to the borrowings or hedges, it is estimated that a rise of one percentage point in interest rates in all currencies in which the Group has borrowings would have affected 1997 profit before tax by less than 1%.

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 term of the currency derivatives is rarely more than one year. 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.

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.

21 Derivatives and other Financial Instruments continued

Interest rate and currency of borrowings

After taking into account the various interest rate and currency swaps and caps entered into by the Group, the effective currency and interest rate exposure of the Group's borrowings as at 3 January 1998 was as follows:

	Net borrowings	Cash and liquid resources	Floating borrowings	Fixed and capped borrowings	Fixed and capped borrowings: Weighted average interest rate	Fixed and capped borrowings: Weighted average time for which rate is fixed
	£m	£m	£m	£m	%	Years
Sterling	(230)	(544)	253	61	19.3	1.7
European Exchange Rate Mechanism (ERM)	10	(118)	45	83	2.6	2.8
US Dollar Bloc	735	(71)	352	454	6.1	2.2
Australia/New Zealand	87	(21)	78	30	7.4	2.8
Others	47	(14)	29	32	8.5	0.6
	649	(768)	757	660	6.6	2.1

Currency analysis of net assets

The Group's borrowings and net assets by currency at 3 January 1998 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	57	(151)	(79)	(230)	287
ERM	344	157	(147)	10	334
US Dollar Bloc	1,433	509	226	735	698
Australia/New Zealand	210	87	–	87	123
Others	274	47	–	47	227
	2,318	649	–	649	1,669

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

Current values of financial instruments

The comparison of current and book values of all the Group's financial instruments as at 3 January 1998 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	86	86
Liquid resources	682	682
Debt	(1,404)	(1,380)
Derivatives to manage interest rate and currency of borrowings	(13)	(23)
Net borrowings	(649)	(635)
Quarterly Income Preferred Securities (see Note 23)	(238)	(266)
Derivatives to hedge future transactions	–	(3)

Hedges of future transactions

At 3 January 1998 net unrecognised losses of £3m related primarily to hedges of future transactions which are expected to occur in 1998. Included in the 1997 profit and loss account are £1m of net losses on hedges arising in previous years for transactions which occured during 1997.

22 Capital and Reserves

	1997 £m	1996 £m
(a) Share Capital of Cadbury Schweppes plc		
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$1,000 each)	**–**	–
	400	400
Allotted, called up and fully paid Share Capital:		
Attributable to equity interests:		
Ordinary Shares (1,010 million of 25p each) (1996: 1,000 million)	**252**	250
Attributable to non-equity interests:		
US$ Preference Shares (1997: nil, 1996: 350 of US$1,000 each)	**–**	–
	252	250

(b) Ordinary Shares

During the year 9,809,907 Ordinary Shares of 25p were allotted and issued as follows:

(i) Share dividends	1,145,082
(ii) Share options exercised (see Note 30)	8,654,241
(iii) Bond conversions	10,584
(iv) Share scheme allocations	–

The nominal value of Ordinary Shares issued during the year was £2.4m.
There were no other changes in the issued Ordinary Share Capital of the Company during the year.

(c) Movements on capital and reserves – Group	Share capital £m	Share premium £m	Capital redemption reserve £m	Revaluation reserve £m	Retained profits £m	Total £m
At beginning of year	250	925	–	76	36	1,287
Exchange rate adjustments	–	–	–	(8)	(48)	(56)
Shares issued for cash	2	34	–	–	(3)	33
Shares issued for non-cash consideration	–	6	–	–	–	6
Redemption of preference shares	–	(87)	87	–	(107)	(107)
Retained profit for year	–	–	–	–	509	509
Goodwill adjustments	–	–	–	–	(3)	(3)
Transfer	–	–	–	(1)	1	–
At end of year	252	878	87	67	385	1,669

The historical cost profit for the financial year was £692m (1996: £342m) and the historical cost retained profit was £510m (1996: £171m).
The loss on translation of long term foreign currency borrowings by UK companies was £13m (1996: £42m gain) all of which was taken to reserves, since these borrowings were used to hedge assets and liabilities in the same currencies.
During the year the Company received £36m on the issue of shares in respect of the exercise of options awarded under various share option plans. Employees paid £33m to the Company for the issue of these shares and the balance of £3m comprised contributions to an employee share trust from subsidiary undertakings.

Goodwill written off

Total goodwill written off on businesses continuing within the Group amounts to £1,815m of which £1,728m has been written off since 3 January 1988.

Notes on the Accounts

continued

22 Capital and Reserves continued

(d) Movements on capital and reserves – Company

	Share capital £m	Share premium £m	Capital redemption reserve £m	Revaluation reserve £m	Retained profits £m	Total £m
At beginning of year	250	925	–	1	416	1,592
Shares issued for cash	2	34	–	–	–	36
Shares issued for non-cash consideration	–	6	–	–	–	6
Redemption of preference shares	–	(87)	87	–	(107)	(107)
Retained profit for year	–	–	–	–	273	273
At end of year	252	878	87	1	582	1,800

The profit for the financial year for the Company was £455m (1996: £130m). The historical cost profit for the financial year for the Company was £455m (1996: £130m).
The total recognised gains and losses for the Company are the same as the profit for the financial year. The net increase in Shareholders' funds was £208m.

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

(f) Share options
Details of outstanding share options are given in Note 30.

23 Minority Interests

	Equity		Non-Equity	
	1997 £m	1996 £m	**1997 £m**	1996 £m
At beginning of year	**158**	121	**229**	250
Exchange rate adjustments	**(5)**	(14)	**8**	(21)
Share of profit after tax	**12**	44	**22**	23
Dividends declared	**(5)**	(6)	**(21)**	(23)
Acquisitions	**–**	5	**–**	–
Purchase of shares from minorities	**(7)**	–	**–**	–
Disposals	**(89)**	–	**–**	–
New issues	**5**	6	**–**	–
Other	**(1)**	2	**–**	–
At end of year	**68**	158	**238**	229

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 harmonisation £m	Fair value adjustments £m	Fair value Total £m
Intangible fixed assets	6	(6)	–	–
Tangible fixed assets	38	–	(2)	36
Stocks	14	–	(2)	12
Debtors	6	–	1	7
Creditors and provisions	(7)	–	(2)	(9)
	57	(6)	(5)	46
Goodwill				34
Net assets acquired				80
Borrowings assumed at acquisition				19
Deferred consideration				4
Cash consideration				57
Total consideration				80

In January 1997 the Group purchased an 80% interest in Jaret International (CS) Inc., a distributor of sugar confectionery in the US. In February 1997 the Group purchased the Food Industries Development Co. (Bim Bim), an Egyptian confectionery company. On 31 December 1997, the Group acquired the assets of La Pie Qui Chante, a French confectionery business.

For contractual reasons, fair values for some of the acquisitions are subject to change. None of the acquisitions was sufficiently material for separate disclosure in the table above.

The contribution from acquisitions to sales and trading profits in the year was £41m and £10m, respectively.

During the year, the Group has also increased its holding in Piasten (Germany) from 70% to 85% and in Cadbury Stani (Argentina) from 80% to 100%, and has met deferred consideration obligations arising under a previous acquisition. Total payments under these transactions were £38m and goodwill arising was £11m.

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:

	1997 £m	1996 £m
Within one year	**7**	14
Between one and five years	**23**	35
After five years	**6**	13
	36	62
Less: Finance charges allocated to future periods	**(7)**	(19)
	29	43

The minimum annual lease payments in 1998, to which the Group was committed under non-cancellable operating leases as at the year end, were as follows:

	Property		Plant and equipment	
	1997 £m	1996 £m	**1997 £m**	1996 £m
On leases expiring:				
Within one year	**3**	1	**4**	5
Between one and five years	**4**	9	**10**	16
After five years	**9**	12	**–**	–
	16	22	**14**	21

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 3 January 1998 being £842m (1996: £603m). The Company has also guaranteed certain contingent liabilities of certain undertakings in which it has an equity interest, the maximum liability at 3 January 1998 being £27m (1996: £29m).

(b) Subsidiary undertakings have guarantees and indemnities outstanding amounting to £64m (1996: £67m).

(c) In 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.

(e) There is a legal obligation to acquire the remainder of the shares of Jaret International (CS) 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 Jaret International (CS) Inc.

27 Cash Flow from Operating Activities

	Group 1997 £m	Group 1996 £m
Operating profit	**640**	702
Depreciation	**145**	183
Non cash items relating to restructuring provisions	**14**	35
Non cash items relating to retirement benefits	**(2)**	(4)
Profits before tax of associates less dividends received	**(18)**	(20)
Changes in working capital		
– Stocks	**(30)**	(17)
– Debtors	**15**	(82)
– Creditors	**(31)**	72
	733	869

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

28 Foreign Currency Translation

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

	1997 Average	1996 Average	Devaluation	1997 Closing	1996 Closing
US dollar	**1.64**	1.57	4%	**1.64**	1.69
Canadian dollar	**2.27**	2.14	6%	**2.34**	2.32
Australian dollar	**2.21**	2.00	11%	**2.52**	2.13
Spanish peseta	**239**	199	20%	**251**	222
French franc	**9.51**	8.01	19%	**9.90**	8.87
Irish punt	**1.08**	0.98	10%	**1.15**	1.01
South African rand	**7.58**	6.73	13%	**8.01**	7.91
Mexican peso	**13.00**	11.90	9%	**13.20**	13.30

The devaluation column shows the decline in value of the average exchange rate against sterling in 1997, compared with 1996.

29 Post Balance Sheet Event

On 23 February 1998, the Group announced the establishment of a joint venture to invest in soft drinks bottling in the US. The new joint venture company, The American Bottling Company, intends to acquire two independent bottling groups in the Midwest, Beverage America and Select Beverages, for a total cash consideration of approximately US$724 million. The Group's share of the equity of The American Bottling Company will be 40% with the balance held by the joint venture partner. The funding of the joint venture is expected to be US$300 million of equity and the balance in external bank debt. The Group's share of the equity is expected to be US$120 million which will be provided from existing resources.

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 3 January 1998, 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 79)	Code (See Directors' Interests, Pages 39 to 41)
(a) Savings-Related Share Option Scheme 1982 (see Note (i))			
1,623,498	325.40	1 January 1998 – 30 June 1998	
830,836	230.81	1 February 1998 – 31 July 1998	
311,590	311.79	1 February 1999 – 31 July 1999	
1,264,194	352.67	1 February 1999 – 31 July 1999	
695,772	325.40	1 January 2000 – 30 June 2000	
1,456,342	351.13	1 February 2000 – 31 July 2000	
465,594	428.80	1 February 2000 – 31 July 2000	
301,538	352.67	1 February 2001 – 31 July 2001	
1,676,652	388.80	1 February 2001 – 31 July 2001	
346,704	499.80	1 February 2001 – 31 July 2001	
378,237	351.13	1 February 2002 – 31 July 2002	
1,710,362	403.60	1 February 2002 – 31 July 2002	
370,824	388.80	1 February 2003 – 31 July 2003	
1,654,638	470.40	1 February 2003 – 31 July 2003	aa
420,177	403.60	1 February 2004 – 31 July 2004	
388,632	470.40	1 February 2005 – 31 July 2005	
13,895,590			
(b) Share Option Scheme 1984 for Main Board Directors and Senior Executives (see Note (ii))			
26,427	332.03	19 September 1991 – 18 September 1998	
50,736	366.09	29 September 1992 – 28 September 1999	
141,160	299.87	21 September 1993 – 20 September 2000	ba
12,684	347.17	28 March 1994 – 27 March 2001	
234,618	382.17	9 October 1994 – 8 October 2001	bb
3,226	409.60	31 March 1995 – 30 March 2002	
824,418	427.58	14 October 1995 – 13 October 2002	bc
1,060,806	442.76	1 October 1996 – 30 September 2003	bd
2,354,075			
(c) Share Option Scheme 1986 for Senior Management Overseas (see Note (ii))			
5,228	332.03	3 October 1991 – 2 October 1998	
105,649	319.73	3 April 1992 – 2 April 1999	ca
6,741	366.09	13 October 1992 – 12 October 1999	
15,855	295.14	4 April 1993 – 3 April 2000	
346,165	299.87	5 October 1993 – 4 October 2000	
111,565	347.17	11 April 1994 – 10 April 2001	
273,734	382.17	23 October 1994 – 22 October 2001	cb
6,340	409.60	14 April 1995 – 13 April 2002	
667,594	427.58	28 October 1995 – 27 October 2002	cc
1,079,797	442.76	15 October 1996 – 14 October 2003	
2,618,668			

30 **Share Options** continued

Number of Shares	Exercise Price per Share (in pence unless stated otherwise)	Exercise Period (See notes (i) – (vi) page 79)	Code (See Directors' Interests, Pages 39 to 41)
(d) Share Option Plan 1994 (see Note (iii))			
3,093,766	409.14	2 November 1997 – 1 November 2004	
363,111	384.17	23 December 1997 – 22 December 2004	
4,363,146	485.00	28 September 1998 – 27 September 2005	
4,934,985	519.00	28 September 1999 – 27 September 2006	
130,471	519.00	29 September 1999 – 28 September 2006	
72,000	549.00	26 March 2000 – 25 March 2007	
4,393,682	593.50	13 September 2000 – 12 September 2007	
172,944	593.50	14 September 2000 – 13 September 2007	
17,524,105			
(e) Irish Savings-Related Share Option Scheme (see Note (i))			
1,054	288.51	1 February 1998 – 31 July 1998	
458,384	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	
157,123	340.38	19 December 1999 – 18 June 2000	
15,964	499.80	15 December 2000 – 14 June 2001	
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	
71,474	470.40	15 December 2002 – 14 June 2003	
7,870	390.00	18 December 2002 – 17 June 2003	
9,920	407.00	16 December 2003 – 15 June 2004	
13,237	470.40	15 December 2004 – 14 June 2005	
1,008,530			
(f) Irish AVC Savings-Related Share Option Scheme (see Note (iv))			
310,319	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	
5,076	499.80	15 December 2000 – 14 June 2001	
42,794	390.00	18 December 2000 – 17 June 2001	
42,941	407.00	16 December 2001 – 15 June 2002	
26,116	470.40	15 December 2002 – 14 June 2003	
480,579			
(g) Australia and New Zealand 1993 Employee Options Contribution Plan (see Note (v))			
54,000 9,600	A$8.6900 NZ$9.5000	16 August 1998 – 12 September 1998	
120,000 10,200	A$8.3900 NZ$9.7700	16 August 1998 – 12 September 1998 or 15 August 1999 – 11 September 1999	
127,700 14,800	A$9.8900 NZ$11.2000	16 August 1998 – 12 September 1998 or 15 August 1999 – 11 September 1999 or 13 August 2000 – 9 September 2000	ga
336,300			

30 Share Options continued

Number of Shares	Exercise Price per Share (in pence unless stated otherwise)	Exercise Period (See notes (i) – (vi) page 79)	Code (See Directors' Interests, Pages 39 to 41)
(h) United States and Canada Employee Stock Purchase Plan 1994 (see Note (vi))			
512,760	US$6.6550	13 April 1998 – 24 April 1998	
482,200	US$7.4242	12 April 1999 – 23 April 1999	ha
994,960			

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 28);
(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; and
(vi) a period of two weeks commencing on the first business day after the end of the fiftieth bi-weekly deduction period. 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 3 January 1998 was taken into consideration, the total number of Ordinary Shares issuable at that date would have been 1,034,756.

31 Group Companies

	Activities	Country of incorporation and operation	Proportion of issued share capital held if not 100%
Details of principal associated undertakings			
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	18.7%
Oasis Beverages (Guangzhou) Ltd	(b)	China	35%
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	
Reading Scientific Services Ltd*	(c)	Great Britain	
Trebor Bassett Ltd	(a)	Great Britain	
Cadbury International Ltd	(a)	Great Britain	

Notes on the Accounts

continued

31 **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			
Europe:			
Cadbury Ireland Ltd	(a)	Ireland	
Schweppes International Ltd*	(b)	Ireland†(i)	
Canada Dry Corporation Ltd	(b)	Ireland	
Schweppes France	(b)	France	
Cadbury France SA	(a)	France	
La Pie Qui Chante SA	(a)	France	
Schweppes 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	85%
Cadbury Confectionery ZAO	(a)	Russia	82%
Cadbury Poland Sp. zo.o.*	(a)	Poland	
Americas:			
Dr Pepper/Seven Up, Inc	(b)	US	
Cadbury Beverages (CS) Inc	(b)	US	
Mott's Inc	(b)	US	
Jaret International (CS) Inc.	(a)	US	80%
Cadbury Beverages Canada Inc	(b)	Canada	
Cadbury Chocolate Canada Inc.	(a)	Canada	
Trebor Allan Inc	(a)	Canada	75%
Cadbury Aguas Minerales, SA de CV	(b)	Mexico (i)(ii)	
Cadbury Stani SAIC	(a)	Argentina	
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%
PT Trebor Indonesia	(a)	Indonesia	70%
Cadbury India Ltd (listed)	(a)	India	51%
Cadbury Egypt	(a)	Egypt	80%
Food Industries Development Company (Bim Bim)	(a)	Egypt	
Cadbury Japan Ltd	(a)	Japan	
Cadbury Four Seas Company Ltd	(a)	Hong Kong	70%
Cadbury Singapore Pte Ltd	(a)	Singapore	

31 Group Companies continued

Details of principal subsidiary undertakings continued

Other overseas: continued

	Activities	Country of incorporation and operation	Proportion of issued share capital held if not 100%
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 Group Trustees Ltd*	(c)	Great Britain	
Cadbury Schweppes Investments (Jersey) Ltd	(c)	Jersey	
Cadbury Schweppes Treasury Services	(c)	Ireland	
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, LP	(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. Key figures under UK and US GAAP and a reconciliation of net income and shareholders' equity are summarised below.

	Per UK GAAP		Per US GAAP	
Key Figures	**1997 £m**	1996 £m	**1997 £m**	1996 £m
Operating income from continuing operations (a)	**604**	547	**489**	451
Net income (as below)	**691**	340	**617**	247
Underlying net income	**374**	340	**271**	247
Shareholders' equity (as below)	**1,669**	1,287	**2,814**	2,485

		1997	1996
Net income per ADS (b) – Sterling	£	**2.45**	0.99
– US Dollar*	$	**4.02**	1.68
Underlying net income per ADS (b) – Sterling	£	**1.08**	0.99
– US Dollar*	$	**1.77**	1.68
Net assets per ADS (c) – Sterling	£	**11.14**	9.52
– US Dollar*	$	**18.28**	16.10

	1997 £m	1996 £m
Net income for Ordinary Shareholders per UK GAAP	**691**	340
US GAAP adjustments:		
Goodwill/intangible amortisation	**(83)**	(88)
Restructuring costs	**(8)**	(6)
Disposal gain adjustment	**28**	–
Depreciation of capitalised interest	**(10)**	(5)
Timing of recognition of foreign currency hedges	**(12)**	8
Pension costs	**(5)**	(2)
Other items	**1**	–
Taxation	**15**	–
Net income per US GAAP	**617**	247

	1997 £m	1996 £m
Shareholders' equity per UK GAAP	**1,669**	1,287
US GAAP adjustments:		
Goodwill/intangibles	**1,178**	1,236
Capitalisation of interest	**21**	35
Elimination of revaluation surplus	**(67)**	(76)
Pension costs	**(45)**	(43)
Dividends	**127**	118
Other items	**6**	26
Taxation	**(75)**	(98)
Shareholders' equity per US GAAP	**2,814**	2,485

(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: 1,006 million (1996: 996 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: 1,010 million (1996: 1,000 million).

*At year end exchange rate: £1 = US$1.64 (1996: US$1.69).

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

	Final Dividend for 1997	Interim Dividend for 1998
Ordinary shares		
Announcement of results	4 March 1998	5 August 1998
Ex-dividend date – Shares purchased in the market before this date qualify for dividend	16 March 1998	14 September 1998
Record date – Shareholders on the Register on this date have entitlement to dividend	20 March 1998	18 September 1998
Dividend Payment	22 May 1998	20 November 1998

The Annual General Meeting of the Company is on 7 May 1998.
The Annual General Meeting of the Company in 1999 will be held on 6 May 1999.

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 Limited
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, which is approved as a PEP Plan Manager by the Inland Revenue and is regulated by the Investment Management Regulatory Organisation Limited. Halifax Investment Services is a member of the Halifax Group.

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 plc
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.

The publication of this information has been approved for the purposes of Section 57 of the Financial Services Act 1986 by Halifax Investment Services Limited.

Shareholder Information

continued

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 85).

Registrars

Shareholder records are maintained on either the UK Register by Lloyds Bank Plc or the Australian Register by Coopers & Lybrand. Arrangements for American Depositary Shares in the US are detailed on page 85.

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).

If you have more than one account, arising from inconsistencies in name or address details, you may avoid duplicate sets of mailings by asking the Registrar to amalgamate the holdings.

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
http://www.au.coopers.com/srs/index.htm

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. However, the "Q" arrangement does not apply to dividends received in the form of Shares or as Foreign Income Dividends. 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. One ADS represents four Ordinary Shares.

Dividends

The final dividend recommended for the year 1997 (if approved at the Annual General Meeting) will be payable on 1 June 1998 to the holders of record on 20 March 1998.

US residents should note that Foreign Income Dividends do not carry any entitlement to payment of the UK tax credit, and the special arrangements under the UK/US tax treaty will not apply.

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.
Freephone: #1 800 749 1687 at the address below.

Contact Point – ADS Depositary

Morgan Guaranty Trust Company of New York is Depositary for Cadbury Schweppes American Depositary Shares: Telephone: (781) 575 4328. Information about the SSP and Shareholder enquiries may be directed to:

Morgan Guaranty Trust Company of New York
PO Box 8205
Boston
MA 02266-8205
http://www.jpmorgan.com/adr

Share Dividend Alternative

The Company offered a Share Dividend Alternative in respect of the Final Dividend 1996 (paid on 23 May 1997). The cash equivalent value per share was 535.2p. The Interim Dividend 1997 was paid as a Foreign Income Dividend and therefore no Share Dividend Alternative could be offered. The Share Dividend Alternative has been suspended for the Final Dividend 1997.

Dividend Reinvestment Plan

As the Share Dividend Alternative has been suspended for the Final Dividend 1997, a Dividend Reinvestment Plan ("DRIP") has been introduced. This will enable Shareholders to use the whole of their cash dividends to buy additional Ordinary Shares in the Company in the market at competitive dealing rates. Full details of the DRIP are being sent to Shareholders with this Report. Completed Application Forms for the DRIP to apply to the Final Dividend 1997, must be returned to the Registrars by 30 April 1998.

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.

Index

IFC = Inside Front Cover

IFC = Inside Front Cover

Enquiries

For enquiries regarding shareholdings that are not appropriate for either of the Registrars or the ADS Depositary, please contact the Secretary.

For enquiries of a general nature regarding the Company and for Investor Relations enquiries, please contact Corporate Communications.

Cadbury Schweppes plc
25 Berkeley Square
London W1X 6HT
Telephone: 0171-409 1313
(44) 171-409 1313

http://www.cadburyschweppes.com

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 52: Paralux Recycled, manufactured in France; and text pages 53 to 88: Solaire, which is manufactured in Scotland.

Paralux Recycled is biodegradable, recyclable and acid and dioxide free. It consists of 15% de-inked post consumer waste, 50% pre-consumer waste and 35% totally chlorine free virgin pulp, the fibre for which is taken from sustainable forests. No chlorine is used in the bleaching and de-inking process. The majority of the waste water produced during the process is returned to source.

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 paper's 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 this Report has been despatched to Shareholders is totally recyclable.

Photography: Products on pages 2 to 9: Jonathan Knowles
Products on pages 14 to 21: Flashlight Studios
Directors: Simon Potter and Michael Heffernan

Designed by Pauffley, London
Typeset by Asset Graphics
Printed in England by Pillans & Wilson Greenaway, Stroud