

1. Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 1985.

(a) Accounting convention

The separate financial statements of the Company are prepared under the historical cost convention modified for the revaluation of certain land and buildings. These financial statements are prepared in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Standards which have been applied consistently throughout the year and the preceding year, except for where changes have been made to previous policies on the adoption of new accounting standards during the year.

The Company has adopted FRS 17, 'Retirement benefits', FRS 20, 'Share-based payment', FRS 21, 'Events after the balance sheet date', FRS 22, 'Earnings per share', FRS 23, 'The effects of changes in foreign exchange rates', FRS 25, 'Financial instruments: Disclosure and presentation', FRS 26, 'Financial instruments: Measurement', and FRS 28, 'Corresponding amounts', in these financial statements. The adoption of each of these standards represents a change in accounting policy and the comparative figures have been restated accordingly except where the exemption to restate comparatives has been taken. Details of the effect of the prior year adjustments are given in Note 12.

(b) Financial year

The annual financial statements are made up to the Sunday nearest to 31 December. This results periodically in a financial year of 53 weeks. The profit and loss accounts cover the 52 weeks from 3 January 2005 to 1 January 2006 and the 53 weeks from 29 December 2003 to 2 January 2005. The balance sheets for 2005 and 2004 have been drawn up as at 1 January 2006 and 2 January 2005 respectively.

(c) Preparation of financial statements

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

(d) Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates ruling at the end of the financial year. All profits and losses on exchange are credited or charged to the profit and loss account.

Exchange differences arising on translation of foreign equity investments financed by foreign currency borrowings are dealt with through profit or loss, together with exchange differences on the related borrowings.

(e) Taxation

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

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

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

(f) Investments

Fixed asset investments are shown at cost less provision for any impairment.

Current asset investments are stated at the lower of cost and net realisable value.

(g) Tangible fixed assets

Assets are recorded in the balance sheet at cost less accumulated depreciation and any accumulated impairment losses with the exception of certain land and building assets which were revalued in 1995.

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

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

Financial Statements for Cadbury Schweppes plc

1. Significant accounting policies continued

(g) Tangible fixed assets continued

Short leasehold properties are depreciated over the shorter of the estimated life of the asset and the life of the lease. In specific cases different depreciation rates are used e.g. high-speed machinery, machinery subject to technological changes or any machinery with a high obsolescence factor.

Where assets are financed by leasing agreements and substantially all the risks and rewards of ownership are substantially transferred to the Company ("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 assets held under finance leases is charged to the profit and loss account on the same basis as owned assets. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account. All other leases are "operating leases" and the relevant annual rentals are charged wholly to the profit and loss account.

(h) Cash flow statement

The results, assets and liabilities of the Company are included in the consolidated financial statements of Cadbury Schweppes plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised), 'Cash flow statements'.

(i) Share-based payments

The Company has a number of share-based payment plans that certain employees participate in. Accounting for these is in accordance with FRS 20 and is also in accordance with the Group accounting policy in Note 1 and the disclosures provided in Note 27 to the Group consolidated financial statements which have been prepared under IFRS 2, 'Share-based payment'.

(j) Pensions

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

The cost of defined contribution retirement schemes is charged as an expense as the costs become payable. Any difference between the payments and the charge is recognised as a short-term asset or liability.

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

(k) Revaluation of properties

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

2. Profit and loss account for the year

As permitted by section 230 of the Companies Act 1985 the Company has elected not to present its own profit and loss account for the year. Cadbury Schweppes plc reported a profit for the financial year ended 1 January 2006 of £309 million (2004 restated: loss of £10 million). The historical cost profit for the financial year was £309 million (2004 restated: loss of £10 million).

The auditors' remuneration for audit services to the Company was £0.5 million (2004: £0.4 million). The auditor's remuneration for non-audit services to the Company was £2.1 million (2004: £1.3 million).

3. Directors' emoluments and employee information

The Directors are remunerated by Cadbury Schweppes plc for their services to the Group as a whole. No remuneration was paid to them specifically in respect of Cadbury Schweppes plc in either year. Full details of Directors emoluments are given in the Directors' Remuneration Report in the Group consolidated financial statements.

	2005 £m	2004 £m
Emoluments of employees, including Directors, comprised:		
Wages and salaries	28	26
Social security costs	4	3
Share-based payments	7	9
Post-retirement benefit costs	19	6
	58	44
An additional contribution of £13 million was made to the defined benefit pension schemes in the year.		
	2005	2004
Average employee headcount – Administrative	659	672

4. Tangible fixed assets

(a) Analysis of movements

	Land and buildings £m	Plant and equipment £m	Assets in course of construction £m	Total £m
Cost or valuation				
At 3 January 2005	7	66	73	146
Additions	–	1	11	12
Disposals	–	(1)	–	(1)
Transfers on completion	–	73	(73)	–
Transfers from subsidiary undertakings	–	–	1	1
At 1 January 2006	7	139	12	158
Accumulated depreciation				
At 3 January 2005	(2)	(29)	–	(31)
Depreciation for the year	–	(13)	–	(13)
Disposals	–	–	–	–
At 1 January 2006	(2)	(42)	–	(44)
Net book value				
At 2 January 2005	5	37	73	115
At 1 January 2006	5	97	12	114

(b) Analysis of land and buildings

	2005 £m	2004 £m
Analysis of net book value:		
Freehold	3	3
Long leasehold	–	–
Short leasehold	2	2
	5	5
Analysis of gross value:		
At 1995 valuation		
– Existing use	4	4
– Alternative use	–	–
At cost	3	3
	7	7

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

	2005 £m	2004 £m
Land and buildings at cost	5	5
Accumulated depreciation thereon	(2)	(2)
	3	3
Depreciation charge for the year	–	–

(c) The Company holds no assets under finance leases (2004: £nil).

(d) Commitments for capital expenditure contracted for but not provided in the Company financial statements at the end of the year were £nil (2004: £nil).

Financial Statements for Cadbury Schweppes plc

5. Investments

(a) Analysis of components

	2005 £m	2004 £m
Shares in associated undertakings		
– Listed	–	–
– Unlisted	9	9
Total net book value of associates	9	9
Loans to associated undertakings	–	–
Investments in associates	9	9
Shares in subsidiary undertakings	628	830
Loans to subsidiary undertakings	4,768	4,860
Other unlisted investments other than loans	1	9
Investments	5,397	5,699

Details of the principal subsidiary and associated undertakings are set out in Note 36 to the Group consolidated financial statements.

(b) Analysis of movements

	Shares in subsidiary undertakings £m	Loans to subsidiary undertakings £m	Shares in associated undertakings £m
Cost less amounts written off at beginning of year	830	4,860	9
Movements in year	(202)	(92)	–
Cost less amounts written off at end of year	628	4,768	9

6. Debtors

	2005 £m	2004 (restated) £m
Amounts owed by subsidiary undertakings	49	52
Amounts owed by associated undertakings	2	1
Tax on profit		
– receivable within one year	67	82
– receivable after more than one year	–	17
Deferred tax recoverable after more than one year	30	3
Prepayments and accrued income	13	5
Other debtors		
– receivable within one year	1	1
	162	161

Loans to subsidiary and associated undertakings bear interest at market rates. All amounts are receivable within one year unless otherwise indicated.

Prior year other debtors receivable after more than one year have been restated to derecognise the SSAP 24 pension asset following the adoption of FRS 17 (see Note 12).

7. Deferred taxation

The deferred tax asset recognised by the Company, and the movements thereon, during the year are as follows:

	Fixed assets £m	Pensions £m	Other timing differences £m	Total £m
At 3 January 2005	3	—	—	3
Credit to profit or loss for the year	15	3	9	27
At 1 January 2006	18	3	9	30

The Company deferred tax asset is included in debtors (see Note 6). The Company has unrecognised deferred tax liabilities on property revaluations of £1 million (2004: £1 million).

8. Creditors: amounts falling due within one year

	2005 £m	2004 (restated) £m
Amounts owed to subsidiary undertakings	30	35
Tax on profit	—	97
Other taxes and social security costs	3	—
Accruals and deferred income	32	24
Other creditors	53	34
	118	190

Amounts owed to subsidiary and associated undertakings are repayable at various dates throughout 2006 and bear interest at market rates or are non-interest bearing.

Prior year creditors have been restated to reflect the write back of the dividend proposed at 2 January 2005 following the adoption of FRS 21 (see Note 12).

9. Creditors: amounts falling due after more than one year

	2005 £m	2004 £m
Tax on profit	100	5

10. Post employment benefits

The Company is a participating member of the Cadbury Schweppes Pension Fund and the Cadbury Schweppes Supplementary Pension Plan defined benefit plans created for the benefit of UK employees of the Group. These plans are administered and funded on a Group basis, with contributions fixed based on the position of the overall fund. It is not possible to identify the Company's share of the assets and liabilities in the schemes on a consistent and reasonable basis. Therefore the Company has applied the provisions of FRS 17 to account for defined benefit plans as if they were defined contribution plans and no net surplus or deficit has been recorded on the Company balance sheet. The Group schemes are currently in deficit. Full details of the net liabilities of the total schemes and the assumptions used to determine this are included in Note 25 to the Group accounts.

11. Borrowings

	Amounts due within one year £m	2005 Amounts due after one year £m	Amounts due within one year £m	2004 Amounts due after one year £m
Unsecured				
Loan notes	3	–	–	–
Loans from subsidiary undertakings	2,146	843	2,587	899
Bank overdraft	10	–	2	–
	2,159	843	2,589	899

	2005 £m	2004 £m
Maturity profile		
Within one year or on demand	2,159	2,589
Between one and two years	–	–
Between two and five years	–	211
After five years	843	688
	3,002	3,488

Loans from subsidiary and associated undertakings bear interest at market rates or are non-interest bearing.

The Company's borrowings due for repayment after five years are not repayable by instalments.

12. Capital and reserves

(a) Share capital

	2005 £m	2004 £m
Authorised:		
3,200 million ordinary shares of 12.5p each	400	400
Allotted, called-up and fully paid:		
2,084 million ordinary shares of 12.5p each	260	259

(b) Ordinary shares

During the year, 11,528,687 ordinary shares of 12.5p were allotted and issued upon the exercise of share options.

The nominal value of ordinary shares issued during the year was £1.4 million.

There were no other changes in the issued ordinary share capital of the Company during the year.

During 2004, 8,466,409 ordinary shares of 12.5p were allotted and issued upon the exercise of share options.

The nominal value of ordinary shares issued during the year was £1.1 million.

There were no other changes in the issued ordinary share capital of the Company during 2004.

(c) Movements on capital and reserves

	Share capital £m	Share premium £m	Revaluation reserve £m	Capital redemption reserve £m	Other £m	Retained profits (restated) £m	Total £m
At beginning of year (as previously stated)	259	1,098	1	90	534	144	2,126
Prior year adjustment – FRS 17	–	–	–	–	–	(2)	(2)
– FRS 21	–	–	–	–	–	177	177
At beginning of year (as restated)	259	1,098	1	90	534	319	2,301
Shares issued for cash	1	37	–	–	–	–	38
Retained profit for year	–	–	–	–	–	50	50
Movement in own shares	–	–	–	–	–	81	81
Reserves transfer	–	–	–	–	(82)	82	–
At end of year	260	1,135	1	90	452	532	2,470

During 2005, the Company held 22 million shares (2004: 39 million shares) of own shares purchased by the Cadbury Schweppes Employee Trust for use in employee share plans. The cost of providing shares awarded and expected to vest under employee share plans is accrued over the performance period of the plans.

During 2005, the Company received £38 million on the issue of shares in respect of the exercise of options awarded under various share option plans. Employees paid £37 million to the Company for the issue of these shares and the balance of £1 million comprised contributions from an employee share trust funded by subsidiary undertakings.

The other reserve represents an unrealised gain following an internal reorganisation. As this becomes distributable, a transfer is made to retained profits.

Prior year adjustment

The prior year adjustment relates to the implementation of FRS 17, FRS 20 and FRS 21. In accordance with the transitional provisions, FRS 23, FRS 25 and FRS 26 have been applied prospectively without the need for full restatement of comparatives.

The adoption of FRS 17 has resulted in the derecognition of the £2 million pension asset recorded on the 2004 opening balance sheet under SSAP 24. As the Company accounts for defined benefit plans as if they were defined contribution schemes, there is no impact on the profit and loss account arising from the adoption of FRS 17 (2004: £nil).

The adoption of FRS 20 has resulted in an increase in staff costs of £4 million (2004: £6 million). No restatement of opening reserves is required because there is a corresponding credit to reserves in 2004.

The adoption of FRS 21 has resulted in an increase in shareholders' funds of £177 million at 3 January 2005 due to the write back of the dividend proposed at 2 January 2005.

13. Share based payments

The Company recognised total expenses of £7 million (2004: £9 million) related to equity-settled share-based payment transactions during the year. Full details of the share option plans are included in the Directors' Remuneration Report in the Group consolidated financial statements.

The BSRP is available to a group of senior executives including the Executive Directors. The maximum number of shares awarded in respect of 2005 is 1,242,938 (2004: 563,477). 575,947 shares vested in 2005 (2004: 522,111). Also during the period, matching awards were made over 380,922 shares (2004: 368,090). The fair value of the shares under the plan is based on the market price of the Company's ordinary shares on the date of the award. Where the awards do not attract dividends during the vesting period, the market price is reduced by the present value of the dividends expected to be paid during the expected life of the awards. Awards made under this scheme are classified as equity settled. The expense recognised in respect of these awards was £2 million (2004: £3 million).

Certain senior executives (including the Executive Directors) are granted a conditional award of shares under the LTIP. The number of shares awarded in respect of 2005 is 1,311,000 (2004: 1,497,000). No shares vested in 2005 (2004: Nil) and lapsed shares totalled 1,194,000 (2004: 75,000). Awards made under this scheme are classified as equity settled. The expense recognised in respect of these awards was £2 million (2004: £2 million). 114,500 shares were awarded in respect of the ISAP in 2005 (2004: 300,000). (There were no lapses.)

DSOP and share save plans, details of which are set out below, resulted in a charge of £3 million in 2005 (2004: £4 million).

13. Share based payments continued

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

	Balance outstanding at the beginning of the year	Granted	Exercised	Cancelled	Balance outstanding at the end of the year	Exercise prices for options outstanding at the end of the year in the range (in £ unless otherwise stated)	Weighted average exercise price of options outstanding at the end of the year (in £ unless otherwise stated)	Weighted average contractual life in months of options outstanding at the end of the year	Exercisable at year end	Weighted average exercise price of options currently exercisable at year end (in £ unless otherwise stated)
a	1,430,310	241,780	228,142	81,546	1,362,402	2.35 – 3.52	3.57	29	253,525	3.44
b	14,604,938	–	3,773,878	372,834	10,458,226	2.42 – 4.22	4.20	62	6,429,278	4.58
c	3,447,750	2,670,750	–	52,750	6,065,750	4.39 – 5.69	4.78	20	–	–

- (a) A Savings-Related Share Option Scheme for employees was approved by shareholders in May 1982. These options are normally exercisable within a period not later than six months after the repayment date of the relevant, “Save-as-you-Earn” contracts which are for a term of three, five or seven years.
- (b) A Share Option Plan for directors, senior executives and senior managers was approved by shareholders in May 1994. Options shown here were granted prior to 15 July 2004 and are normally exercisable within a period of seven years commencing three years from the date of grant, subject to the satisfaction of certain performance criteria.
- (c) A Share Option Plan for eligible executives (previously called the Cadbury Schweppes Share Option Plan 1994, as amended at the 2004 AGM). Options shown here were granted after 15 July 2004 and are normally exercisable up to the 10th anniversary of grant, subject to the satisfaction of certain performance criteria.