

# directors' report

General	42
Directors	43
Dividends	43
Substantial shareholdings	43
Going concern	43
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Contents	Inside front cover
Index	188

# Directors' report

## General

The Directors present their Report together with the audited financial statements for the 52 weeks ended 31 December 2006.

## Principal activities

Our principal activities are detailed in the Description of Business on page 21. The operating companies principally affecting our profit or net assets in the period are listed in Note 36 to the financial statements.

## Business review

The Company is required by the Companies Act 1985 to set out in this report a fair review of the business of the Group during the financial year ended 31 December 2006 and of the position of the Group at the end of the year.

A review of the business and a commentary on its strategy, performance and development is set out in the Chairman's statement on pages 4 to 5, Strategic Review on pages 8 to 17 and Financial Review on pages 70 to 93. In addition, the principal risks facing the business are detailed in the Description of Business on pages 38 to 40. All the information detailed in those sections which is required for the business review or otherwise for this report is incorporated by reference in (and shall be deemed to form part of) this report. As explained in the Strategic Review, the Group has five strategic goals and ten priorities to focus our resources on a small number of clear objectives. Our assessment of our performance against these goals and priorities is discussed on pages 10 to 14. We also have a new financial scorecard which is discussed on page 15 and key financial performance measures which are discussed in the Financial Review. In addition, the Group's performance can be assessed by comparative data from Euromonitor (for confectionery) and AC Nielsen (for beverages), examples of which are given in the Description of Business, and by our comparative TSR performance against our peer group (on page 10) and the FTSE-100 (on page 57). Performance indicators relating to corporate and social responsibility matters are shown in the strategic review and in the Description of Business, and can also be found in our biennial Corporate and Social Responsibility report and on our website.

## Revenue and profit

Revenue during the period amounted to £7,427 million (2005: £6,432 million). Profit before taxation amounted to £738 million (2005: £835 million).

## Legal proceedings

The Company and its subsidiaries are defendants in a number of legal proceedings incidental to their operations. The outcome of such proceedings, either individually or in aggregate, is not expected to have a material effect upon the results of our operations or financial position.

## Post balance sheet events

There have been no significant post balance sheet events.

## Financial instruments

Information on our use of financial instruments, our financial risk management objectives and policies, and our exposure to credit and liquidity risks, are described in the Financial Review. Our exposure to cash flow and price risks are described in Note 28 to the financial statements.

## Share capital

Changes in our share capital are detailed in Note 29 to the financial statements.

At the 2007 Annual General Meeting, renewal will be sought of the authorities: (a) for the Directors to allot relevant securities and to allot equity securities for cash other than on a pre-emptive basis, shareowners having approved similar resolutions annually since 1982; and (b) for the Company to purchase its own shares as and if appropriate, shareowners having approved a similar resolution annually since 1998. The Directors have no present intention to issue shares in the Company for cash other than in connection with its share option and incentive schemes. The authority to purchase shares has not been used since 1999.

## Corporate and Social Responsibility

Details of our Corporate and Social Responsibility activities are given in the Description of Business on page 36. We also publish a separate Corporate and Social Responsibility report every other year. Copies are available from our website, [www.cadburyschweppes.com](http://www.cadburyschweppes.com), or from the Group Secretary.

## Employees

Details of our employees, including numbers by geographical region, together with statements of policy about programmes for learning and development, employee involvement, equal employment opportunities and diversity, disabled persons and pensions are given in the Description of Business on pages 34 and 35.

## Charitable and political contributions

Details of our charitable contributions are given in the Description of Business on page 38.

In 2006, neither the Company, nor any of its subsidiaries, made any donation to any registered party or other EU political organisation, incurred any EU political expenditure or made any contribution to a non-EU political party, each as defined in the Political Parties, Elections and Referendums Act 2000.

## Environment

Details of our environmental policy are set out in the Description of Business on page 37.

## Auditors

In accordance with the provisions of Section 234ZA of the Companies Act 1985, each of the Directors at the date of approval of this report confirms that:

- > So far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- > The Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Company's auditors are Deloitte & Touche LLP, who are willing to continue in office and resolutions for their re-appointment and to authorise the Directors to determine their remuneration will be proposed at the AGM.

Note 6 in the financial statements states the auditors' fees, both for audit and non-audit work.

## Directors

The names of our Directors, together with biographical details, are set out on pages 18 and 19.

At the Annual General Meeting to be held on 24 May 2007, Sir John Sunderland, David Thompson and Rosemary Thorne will retire by rotation in accordance with Article 90 of the Articles of Association, and, being eligible, will each offer themselves for re-appointment. David Thompson has been on the Board for more than nine years, and under the Combined Code (A.72) a Director is subject to annual re-election in these circumstances. Rick Braddock also retires by rotation but is not offering himself for re-election. Accordingly, he will cease to be a Director at the conclusion of the meeting.

Sanjiv Ahuja and Raymond Viault will also retire and offer themselves for re-appointment in accordance with Article 89 of the Articles of Association, having been appointed as independent non-executive Directors since the last Annual General Meeting on 19 May 2006 and 1 September 2006 respectively.

The explanatory notes to the Notice of Meeting set out why the Board believes that these Directors should be re-elected.

## Dividends

The Directors recommend a final dividend of 9.9 pence per ordinary share (2005: 9.0p) to be paid on 25 May 2007 to ordinary shareowners on the register as at 27 April 2007.

An interim dividend of 4.1 pence was paid on 20 October 2006, which makes a total of 14.0 pence per ordinary share for the period (2005: 13.0p).

## Directors' responsibilities

The Statement of Directors' responsibilities in relation to the financial statements is set out on page 102. The statement by the auditors on corporate governance matters is contained in their report on pages 102 and 103.

## Directors' share interests

The interests in the share capital of the Company of Directors holding office during the period at the beginning of the period, 2 January 2006 (or date of appointment if later), and the end of the period, 31 December 2006, are detailed in the Directors' remuneration report on page 67.

## Directors' indemnities

Since February 2005, we have granted indemnities to each of the Directors, two members of our senior management and the Group Secretary to the extent permitted by law. These indemnities are uncapped in amount, in relation to certain losses and liabilities which they may incur to third parties in the course of acting as directors (or Company Secretary as the case may be) or employees of the Company or of one or more of its subsidiaries or associates.

## Substantial shareholdings

At the date of this Report we have been notified, in accordance with the Disclosure and Transparency Rules, of the following interests in the ordinary share capital of the Company:

	Number of shares in which there is an interest	Interest in issued share capital (%)
Franklin Resources	83,732,422	4.01
Legal & General		
Investment Management	72,970,409	3.47

## Policy on payment to suppliers

We adhere to the Better Payment Practice Guide. Details of how to obtain a copy of the Guide are on the inside back cover.

Our policy is, when agreeing the conditions of each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by, and settle in accordance with, these terms. As Cadbury Schweppes plc is a parent company, it has no trade creditors.

## Going concern

On the basis of current financial projections and facilities available, we 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 the financial statements.

By order of the Board

## Hester Blanks

Group Secretary

9 March 2007