

directors' remuneration report

Introduction	54
Changes to reward arrangements	54
Remuneration Committee members and advisers	55
Remuneration policy principles	56
Competitive positioning of remuneration	56
Balance between fixed and variable pay	56
Share-based awards and dilution	56
Performance graph	57
Service contracts	57
Salaries and benefits in kind for executive Directors	57
Annual Incentive Plan (AIP)	57
Bonus Share Retention Plan (BSRP)	58
Long Term Incentive Plan (LTIP)	58
Discretionary Share Option Plans	60
Other share option plans	61
Effect of IFRS on performance measures	61
Retirement benefits	61
Executive Directors – outside appointments	61
Chairman and non-executive Directors	62
Directors' remuneration tables	63
Changes in the Directors' share interests since the year end	67

Directors' remuneration report

Unaudited Information

Introduction

This report describes the current arrangements for the remuneration of executive Directors and, where relevant, other Board members and senior executives, as agreed by the Remuneration Committee (the Committee) in 2006. Except as detailed below, these arrangements are likely to continue to apply in future years, unless there are specific reasons for change, in which case shareowners will be informed appropriately.

This report complies with the requirements of the Companies Act 1985 (in particular Schedule 7A – Directors' Remuneration Report) and of the Combined Code.

The Board has delegated to the Committee authority to review and approve the annual salaries, incentive arrangements, service agreements and other employment conditions for the executive Directors, and to approve awards under our share based plans (see page 55). The Committee is tasked with ensuring that individual rewards are linked to performance and aligned with the interests of the Company's shareowners. This requires that cost effective packages are provided which are suitable to attract and retain executive Directors of the highest calibre and to motivate them to perform to the highest standards. The Committee also oversees remuneration arrangements for our senior executives to ensure they are also aligned with shareowner interests. The terms of reference of the Committee are available for inspection on our website.

Changes to reward arrangements

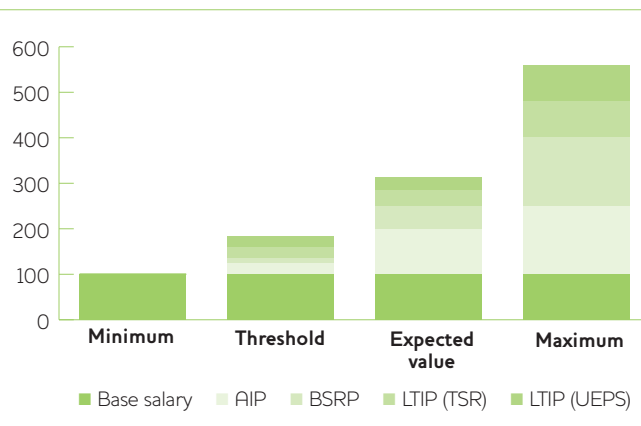
Reward arrangements for executive Directors and other senior executives need to remain in line with prevailing practices among other UK-parented companies and be competitive for a global consumer goods company. In 2006, the Committee reviewed arrangements and incentives to ensure that they remain effective and appropriate to the Company's circumstances and prospects and to monitor the level of potential awards. In the light of the introduction of IFRS and the evolving views of investors opposed to the re-testing of performance conditions applicable to share options, the Committee made the following changes to the policy with effect from 2 January 2006:

- > No more discretionary share options will be granted unless general market conditions change or if there are particular circumstances that arise where an option grant would be appropriate;
- > As a consequence, for executive Directors, the target and maximum levels of award under the AIP (defined opposite) increased from 80% and 120% to 100% and 150% of salary respectively, and the annual LTIP (defined opposite) award increased from 120% to 160% of salary. The percentage of the LTIP award which vests for threshold performance will reduce from 40% to 30% and this will reduce the percentage of shares vesting for all levels of performance below the 80th percentile. LTIP awards can now be made up to a maximum value of 200% of salary, but any award significantly higher than the proposed 160% level will only be made in exceptional circumstances;
- > The BSRP (defined opposite) performance related scale was changed from step vesting to a straight line sliding scale;

- > Also, in setting performance ranges for cycles for all our long-term plans from 2006 onwards, the economic profit and earnings per share ranges are expressed in absolute rather than real (post inflation) terms. This is partly because there is no one satisfactory inflation index against which to measure our performance (given that our earnings are generated in numerous currencies), and secondly because an absolute measure is simpler and in line with the way in which we communicate our results.

Similar changes were made to AIP, BSRP and LTIP for executives below Board level. For those who are not eligible for LTIP awards, we widened the scope of the International Share Award Plan. This gives conditional share awards if performance targets are met, so that the expected value of remuneration for these employees is maintained at broadly the same level as previously.

The chart below shows the fixed and variable elements of an executive Director's remuneration for 2007, and a range of outcomes for each component. Expected value is the present value of the sum of all the various possible outcomes at vesting or exercise of awards, and was calculated using industry accepted methodologies.



- In line with recognised good practice and previous commitments, the Committee will undertake a fundamental review of remuneration policy and all incentive plans for submission to shareowners for approval at the AGM in 2008. The review will focus on the following key areas:
- > The structure of senior executive remuneration packages and the balance between fixed and variable remuneration, short and long term incentives and local against international based remuneration;
 - > An assessment of the current incentive plans, individually and in the context of overall remuneration, including appropriate performance measures and the balance between Group, regional and local unit results and individual contributions;
 - > The issue of an appropriate comparator group for the purpose of remuneration comparisons; and
 - > The levels of shareownership required from executives in the context of the market.

Details about the conclusions reached in this review will be included in next year's remuneration report.

Remuneration Committee members and advisers

The Committee consists of:

Rick Braddock (Chairman of the Committee)
 Roger Carr
 Wolfgang Berndt
 David Thompson
 Rosemary Thorne

All are independent non-executive Directors, and all were members of the Board and Committee at the year-end. No other person was a member of the Committee at a time when any matter relating to the executive Directors' remuneration for 2006 was considered. Raymond Vault joined the Committee on 16 February 2007, and Rick Braddock will leave it when he retires as a Director at the May 2007 Annual General Meeting. Wolfgang Berndt will then take over as chairman of the Committee.

The Committee met four times and passed one written resolution in 2006 to consider and approve, amongst other things:

- > The Directors' remuneration report for 2005;
- > Proposed salary increases and changes to other compensation elements of the executive Directors' remuneration;
- > AIP and share based grants to the executive Directors and members of the Chief Executive's Committee;
- > A review of our share plans and pension arrangements; and
- > Performance measures, weights, targets and allocation guidelines for share based remuneration.

No Committee member has any personal financial interest (other than as a shareowner), conflicts of interest arising from cross-directorships, or day-to-day involvement in running the business. Other Directors and employees who attended some or all of the meetings and who provided material advice or services to the Committee during the year were:

Sir John Sunderland	Chairman
Todd Stitzer	Chief Executive Officer
Bob Stack	Chief Human Resources Officer
Ken Hanna	Chief Financial Officer
Hester Blanks	Group Secretary
Don Mackinlay	Group Remuneration and Benefits Director
John Mills	Director of Group Secretariat and Secretary to the Committee

Hester Blanks, Don Mackinlay and John Mills were appointed by the Company and have the appropriate qualifications and experience to advise the Committee on relevant aspects of our policies and practices, and on relevant legal and regulatory issues. The Company appointed, and the Committee sought advice from, Slaughter and May and the Committee appointed and sought advice from Towers, Perrin, Forster & Crosby, Inc. Representatives from the latter have attended meetings of the Committee and in addition have provided advice, primarily in the area of remuneration matters, to the Group's operations outside the UK. This advice included information on the remuneration practices of consumer products companies of a size and standing similar to those of the Company, including competitors and other businesses which trade on a worldwide basis. Slaughter and May has advised the Committee on legal and regulatory issues and have also provided advice on a broad range of legal issues for the Group during 2006.

Overview of remuneration elements for executives including executive Directors

Element	Objective	Performance period	Performance conditions
Base salary (see page 57)	Reflects market value of role and individual's skills and experience	Not applicable	Reviewed annually, following external benchmarking and taking into account individual performance and the increases awarded to other employees
Annual Incentive Plan (AIP) (see page 57)	Incentivises delivery of performance goals for the year	One year	Award subject to achievement of revenue and Underlying economic profit (UEP) targets for the year
Bonus Share Retention Plan (BSRP) Note: This is a voluntary investment programme (see page 58)	Incentivises sustained annual growth Aids retention of executives Supports and encourages share ownership	Three years	Basic award and an additional match subject to continued employment and to achievement of compound annual growth in aggregate UEP
Long Term Incentive Plan (LTIP) (see page 58)	Incentivises long-term value creation	Three years	Half of award subject to total shareowner return (TSR) ranking relative to an international peer group (see page 60)
	Aids retention of executives		Half of award subject to achievement of compound annual growth in aggregate Underlying earnings per share (UEPS)
Discretionary Share Option Plans (No awards made since 2005) (see page 60)	Incentivises earnings growth Aids retention of executives Incentivises increasing share price	Three to ten years	Vesting subject to achievement of compound annual growth in (point to point) UEPS. First test at end of three, then five years Value of award comes from share price growth at time of exercise

Whether particular performance conditions are met is assessed with reference to our annual accounts or to external data which is widely available. These methods have been chosen as they are or can be independently audited. Remuneration received in respect of each of these elements by the executive Directors is shown on pages 63 to 65.

Directors' remuneration report continued

Remuneration policy principles

Our remuneration policy for executives, including executive Directors, is based on the following core principles:

- > Basic salary is targeted generally between median and upper quartile of the Company's comparator group and at upper quartile for consistently strong or outstanding individual performance. This, combined with performance related variable elements, is designed to result in upper quartile total remuneration against delivery of superior business results and returns to shareowners;
- > A portfolio of incentives and rewards balance the achievement of short and long-term business objectives;
- > The performance conditions for our incentive plans (including the BSRP, LTIP and discretionary share options) are based on the measurable delivery of strong financial performance at constant currency (and on superior shareowner returns for the LTIP) and are widely understood by shareowners;
- > Total remuneration potential is designed to be competitive in the relevant market, thereby enabling us to attract and retain high calibre executives;
- > The total remuneration programme includes significant opportunities to acquire Cadbury Schweppes shares, consistent with building a strong ownership culture;
- > Executive Directors are expected to meet a share ownership requirement set at four times base salary, which is at the top end of such requirements in the FTSE 100. For new appointments, the Director is given a period of three to five years in which to satisfy this requirement. The share ownership policy applies to all senior executives in the business with a range from one to three times salary, depending on their level of seniority.

Competitive positioning of remuneration

The Committee carefully considers on a regular basis the market positioning of all executives for whose remuneration it is responsible against the most recent and relevant market data available. For example, for the Chief Executive Officer, market data for the CEO position in companies of comparable size, complexity and international spread in the UK FTSE 100 index is used, with relevant US company details referenced for a broader context.

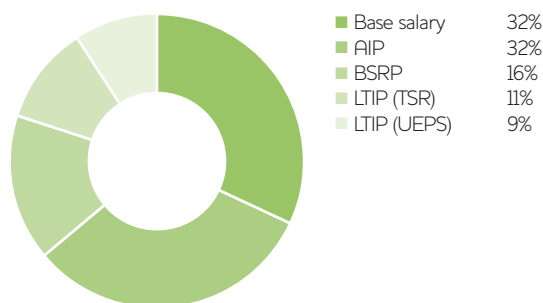
A similar approach is taken for other senior executives. We benchmark against similar positions in companies of comparable size, complexity and international spread and also participate in several of the leading global surveys of executive remuneration in global consumer goods companies.

In making assessments, the Committee takes into account the overall value of the potential remuneration that packages represent, including salary, short and long-term incentives and share ownership requirements. It focuses, in particular, on the 'on-target' level and expected value of remuneration. The Committee also takes into account the proportions of total compensation that are fixed and those which are variable because they are subject to various conditions, including performance and, in the case of share-based incentives, future share price performance.

Balance between fixed and variable pay

Around two-thirds of each executive Director's remuneration is variable and is linked to performance. The performance conditions for each variable element are the same for each executive Director. The following chart shows the fixed (base salary only) and variable elements of the remuneration package for executive Directors for 2006 and 2007 assuming the target (AIP only) and expected value levels of remuneration are achieved.

Fixed and variable elements



Share-based awards and dilution

We ensure that the aggregate of all share-based awards does not exceed the guidelines laid down by the Association of British Insurers. These suggest that the number of awards granted in respect of all share-based schemes should not exceed 10% of the current issued share capital in any rolling ten-year period. The number of awards granted in respect of discretionary schemes should not exceed 5% of the current issued share capital in the same period. Many of the share option plans we operate use shares purchased in the market to satisfy awards at maturity, thereby ensuring that shareowner value is not unduly diminished or diluted.

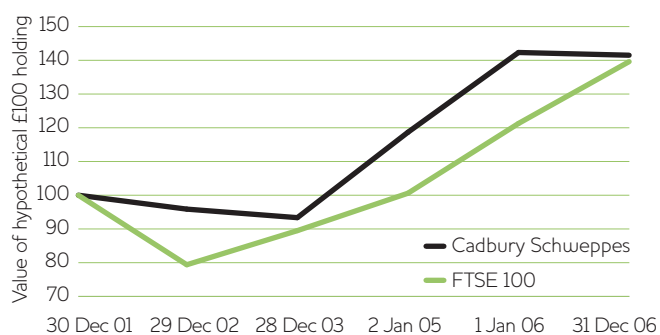
The available dilution capacity on this basis expressed as a percentage of the Company's total issued ordinary 12.5p share capital on the last day of each of the last five financial years was as follows:

Outstanding capacity	2002	2003	2004	2005	2006
For all employee schemes	5.16%	4.66%	4.53%	4.58%	5.27%
For discretionary schemes	2.55%	1.97%	1.75%	1.74%	2.36%

Performance graph

The following graph shows the Company's performance measured by total shareholder return (TSR) for the five years to 31 December 2006 compared with the TSR performance of the FTSE 100 companies over the same period. TSR is the product of the share price plus reinvested dividends. The FTSE 100 has been selected for this comparison because this is the principal index in which the Company's shares are quoted. The graph has been prepared in accordance with the Companies Act 1985 (as amended) and is not an indication of the likely vesting of awards granted under any of the Company's incentive plans. In particular, it is not the basis on which we measure LTIP TSR performance which is measured against a more appropriate and consistently demanding peer group.

Historical TSR performance growth in the value of a hypothetical £100 holding over five years. FTSE 100 comparison based on 30 trading day average values



Service contracts

All executive Directors have contracts which are terminable by the Company giving one year's notice, or by the executive Director giving six months' notice, and expire in the year in which the executive Director reaches their current contractual retirement age of 60. The contracts include provisions on non-competition and non-solicitation. These provisions state that if the executive Director leaves voluntarily he will not, for a period of one year after leaving, be engaged in or concerned directly or indirectly with a predetermined list of companies which are in competition with us. Also, the executive Director agrees for a period of two years after termination of employment not to solicit or attempt to entice away any employee or Director of the Company. If any executive Director's employment is terminated without cause, or if the executive Director resigns for good reason, payment of 12 months' worth of base salary and target AIP will be made, together with benefits for up to 12 months, or for a shorter period if the executive Director secures new employment with equivalent benefits. If it is not possible or practical to continue benefits for one year they will be paid in cash. There would be no special payments made after a change in control. For the BSRP/LTIP provisions which apply on a change of control or termination of employment refer to page 58.

Under their secondment arrangements, Bob Stack and Todd Stitzer are entitled to six months' employment with their employing company in the USA if there are no suitable opportunities for them when their secondments end. All the executive Directors' contracts are 12 month rolling contracts, and accordingly, no contract has a fixed or unexpired term. All the executive Directors' contracts are dated 1 July 2004 except for Ken Hanna's, which is dated 1 March 2004.

Salaries and benefits in kind for executive Directors

In setting the base salary of each executive Director, the Committee takes into account market competitiveness and the performance of each individual executive Director, any changes in position or responsibility and pay and conditions throughout the Group. This structure takes account of the reward structure in place for executives below Board level, and that used by comparable companies. In addition to base salary, the executive Directors also receive benefits in kind. In 2006, the rate of base salary increases for executive Directors was between 5.7% and 8.9%. These included adjustments relating to changing circumstances. Salaries received by the Executive Directors in the 2006 financial year are shown on page 63.

Annual Incentive Plan (AIP)

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. AIP awards are based on financial tests, subject to appropriate adjustments, as determined by the Committee. In 2006, awards were based on the delivery of Underlying economic profit (UEP), defined as Underlying profit from operations less a charge for the weighted average cost of capital, and growth in revenue, both key elements of the annual contract. The award is weighted 60% on the delivery of UEP and 40% on the growth in revenue, and these weightings will remain the same for 2007. For both years, if our trading margin is below the contracted level, the revenue element of the award will be reduced at all levels of performance except at the threshold level. Furthermore, if targets are only achieved at the expense of lowering returns on total invested capital, the Committee reserves the right to reduce AIP payments accordingly.

The target incentive award for an executive Director is 100% of base salary, with the maximum award being at 150% for exceptional performance. AIP awards to executive Directors for 2005 and 2006 were 91% and 74% respectively of base salary, and in 2006, this represented 43.1% on the delivery of UEP and 31.1% on the growth in revenue. AIP received by the executive Directors in respect of the 2006 financial year is shown on page 63.

Directors' remuneration report continued

Bonus Share Retention Plan (BSRP)

The BSRP is an essential element of our total reward programme and has been a key factor in helping and encouraging executives to meet the share ownership guidelines that we apply (see page 56). The BSRP is available to a group of approximately 170 senior executives including the executive Directors and aims to encourage participants to reinvest a cash award into the Company's shares.

The BSRP enables participants to invest all or part of their AIP award in, or take their AIP award as an award over, our shares ("Deferred Shares") together with a Company match of additional shares after three years. During the three year period, the shares are held in trust. If a participant leaves the Group during the three-year period, they forfeit some of the additional shares and in certain cases it is possible that all of the Deferred Shares and the additional shares may be forfeited. Each year the executive Directors have chosen to invest all their AIP awards into the BSRP.

The number of matching shares that will be provided for grants from 2006 is as follows:

Absolute compound annual growth in aggregate UEP over the three year deferral period equivalent to:	Percentage of matching shares awarded at the end of the period:
below 4%	40% (threshold)
4%	40%
8%	70%
12% or more	100% (maximum)

There is a straight line sliding scale between those percentages. UEP is measured on an aggregate absolute growth basis, the levels of growth required to achieve the highest levels of share match being demanding. For awards made before 2006, UEP performance was measured on a real basis, with a stepped vesting scale between the threshold and maximum. Awards under the BSRP will vest in full following a change in control but only to the extent that performance targets have been met at the time of the change in control unless the Committee decides that the awards would have vested to a greater or lesser extent had the performance targets been measured over the normal period. The 2005-2007 and 2006-2008 cycles are currently expected to result in around two-thirds of the matching shares available being awarded. Actual vesting will depend upon performance over the full vesting period. AIP awards received by the executive Directors in respect of the 2006 financial year and reinvested into the BSRP are shown on pages 63 and 65.

Long Term Incentive Plan (LTIP)

Around 85 senior executives (including the executive Directors) are granted a conditional award of shares under the LTIP. This award recognises the significant contribution they make to shareowner value and is designed to incentivise them to strive for sustainable long-term performance.

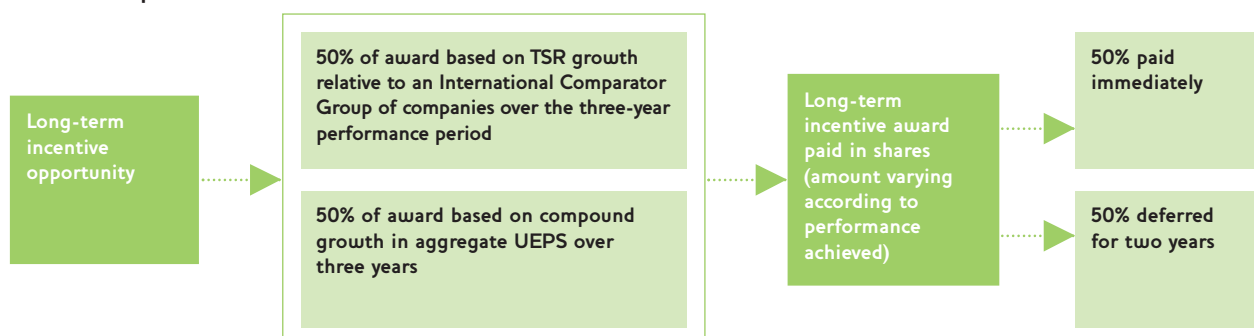
In 2006, awards for the 2006-2008 performance cycles were made to senior executives, including the executive Directors. Details of the Directors' LTIP interests are set out in the table on page 64.

One half of the conditional shares that vest are transferred immediately. The transfer of the remaining half is deferred for two years and is contingent on the participant's employment with us not being terminated for cause during that period. Participants accumulate dividend equivalent payments both on the conditional share awards (which will only be paid to the extent that the performance targets are achieved) and during the deferral period. This part of the award is calculated as follows: number of shares vested multiplied by aggregate of dividends paid in the performance period divided by the share price on the vesting date.

The current LTIP has been in place since 1997. In 2004, the Committee made a number of changes to the LTIP, and the table below sets its key features. As explained above, from 2006, performance ranges for the growth in Underlying earnings per share (UEPS) are expressed in absolute rather than post-inflation terms.

The TSR measure is a widely accepted and understood benchmark of a company's performance. It is measured according to the return index calculated by Datastream on the basis that a company's dividends are invested in the shares of that company. The return is the percentage increase in each company's index over the performance period. UEPS is a key indicator of corporate performance. It is measured on an absolute basis (real prior to 2006 after allowing for inflation). Sustained performance is therefore required over the performance cycle as each year counts in the calculation.

How the LTIP operates



	Awards made prior to 2004	Awards made for 2004 onwards
Face value of conditional share award made to executive Directors	80% of base salary	120% of base salary (2004 and 2005) 160% of base salary (2006 onwards)
Performance conditions	Award is based on TSR relative to the Comparator Group with a UEPS hurdle	Half of the award is based on growth in UEPS over the three year performance period. The other half of the award is based on TSR relative to the Comparator Group
UEPS vesting requirement*	For the award to vest at all UEPS must have grown by at least the rate of inflation as measured by the Retail Price Index plus 2% per annum (over three years)	The extent to which some, all or none of the award vests depends upon annual compound growth in aggregate UEPS over the performance period: <ul style="list-style-type: none"> > 30% of this half of the award will vest if the absolute compound annual growth rate achieved is 6% or more > 100% of this half of the award will vest if the absolute compound annual growth rate achieved is 10% or more > Between 6% and 10%, the award will vest proportionately
TSR vesting requirement*	The extent to which some, all or none of the award vests depends on our TSR relative to the Comparator Group: <ul style="list-style-type: none"> > The minimum award of 50% of the shares conditionally granted will vest at the 50th percentile ranking > 100% of the award will vest at the 80th percentile ranking or above > Between the 50th and 80th percentiles, the award will vest proportionately 	The extent to which some, all or none of the award vests depends upon our TSR relative to the Comparator Group: <ul style="list-style-type: none"> > 30% of this half of the award will vest at the 50th percentile ranking > 100% of this half of the award will vest at the 80th percentile ranking or above > Between the 50th and 80th percentiles, the award will vest proportionately
Re-tests	If the TSR performance criteria is not satisfied in the initial three year performance period, the award will be deferred on an annual basis for up to three years until the performance is achieved over the extended period (i.e. either four, five or six years). If the award does not vest after six years, then it will lapse	There are no re-tests and the award will lapse if the minimum requirements are not met in the initial three year performance period
Comparator Group	A weighting of 75% is applied to the UK companies in the Comparator Group, and 25% to the non-UK based companies	The Comparator Group has been simplified and amended to include companies more relevant to the Company, and there will be no weighting as between UK and non-UK companies

* For cycles beginning in 2004 and 2005, threshold vesting was 40% of the award, and performance ranges for the growth in Underlying earnings per share (UEPS) was expressed in post-inflation terms.

Directors' remuneration report continued

The following companies were selected as comparator companies (the "Comparator Group") to reflect the global nature of our business:

UK based companies	Non-UK based companies	Head office location
Allied Domecq#	Campbell Soup	US
Associated British Foods	Coca-Cola	US
Diageo	Coca-Cola Enterprises ⁺	US
Northern Foods	Colgate-Palmolive	US
Reckitt Benckiser	Conagra ⁺	US
Scottish & Newcastle ⁺	CSM ⁺	Netherlands
Six Continents*	Danone	France
Tate & Lyle	General Mills	US
Unilever	Heinz	US
Uniq*	Hershey Foods	US
Whitbread*	Kellogg	US
	Kraft Foods ⁺	US
	Lindt & Sprungli ⁺	Switzerland
	Nestlé	Switzerland
	Pepsi Bottling Group ⁺	US
	PepsiCo	US
	Pernod Ricard	France
	Procter & Gamble	US
	Sara Lee Corp	US
	Suedzucker*	Germany
	Wrigley ⁺	US

* indicates a company dropped from the Comparator Group in 2004

⁺ indicates a company added to the Comparator Group for 2004 onwards

indicates a company dropped from the Comparator Group in 2005 due to it no longer being a publicly quoted company

Awards under the LTIP (both before and after 2004) will vest in full following a change in control, but only to the extent that performance targets have been met at the time of the change in control unless the Committee decides that the awards would have vested to a greater or lesser extent had the performance targets been measured over the normal period. The status as at 1 January 2007 of each LTIP cycle in respect of which awards could have vested at the date of this report is shown to the right, showing our performance against the measures explained above. The 2004-6 LTIP UEPS result reflects an appropriate adjustment to earnings arising from discontinued operations. LTIP awards received by executive Directors are shown on page 64.

Cycle	Performance against UEPS target	TSR percentile ranking as at 1 January 2007	Current status (% of maximum award)
2001-2003	hurdle met	27	lapsed
2002-2004	hurdle met	35	extended
2003-2005	hurdle met	41	extended
2004-2006	threshold exceeded	74	paid 69.1%

The 2005-2007 and 2006-2008 cycles are currently expected to pay around half of the maximum award available. Actual vesting will depend upon performance over the full vesting period.

Discretionary Share Option Plans

No option grants were made to executive Directors in 2006 as discretionary share options were removed as part of our remuneration programme. No rights to subscribe for shares or debentures of any Group company were granted to or

exercised by any member of any of the Director's immediate families during 2006. All our existing discretionary share option plans which apply to executive Directors use the following criteria:

	Annual grants made prior to 2004 AGM	Annual grants made after 2004 AGM
Market value of option grant made to executive Directors	Customary grant was 300% of base salary and the maximum was 400% of base salary	Maximum of 200% of base salary. From 2006 onwards, no such grants are made other than in exceptional circumstances
Performance condition	Exercise is subject to UEPS growth of at least the rate of inflation plus 2% per annum over three years	Exercise is subject to real compound annual growth in UEPS of 4% for half the award to vest and 6% real growth for the entire award to vest over three years, measured by comparison to the UEPS in the year immediately preceding grant
Re-tests	If required, re-testing has been on an annual basis on a rolling three-year base for the life of the option	If the performance condition is not met within the first three years, the option will be re-tested in year five with actual UEPS growth in year five measured in relation to the original base year

The growth in UEPS for these purposes is calculated on a 'point to point' basis, using a formula which incorporates the UEPS for the year prior to the start of the first performance period and for the last year of the performance period based on a weighted average inflation index. The UEPS is measured on a real basis after allowing for inflation. Options granted in 2004 and 2005 are expected to meet their performance targets and vest in full. The actual vesting of awards will be based on performance over the full vesting period. All options granted prior to 2004 achieved their UEPS targets and vested in full.

Other share option plans

Each executive Director also has the opportunity to participate in the savings-related share option scheme operated in the country in which his contract of employment is based. Further details on these share plans are provided in Note 26 to the financial statements.

Effect of IFRS on performance measures

The Group adopted International Financial Reporting Standards (IFRS) as its primary generally accepted accounting principles (GAAP) with effect from 3 January 2005. Performance measures for the 2005 financial year onwards are based upon the Underlying IFRS performance measures. Where past performance measures continue to be applicable or are retested, these will either be restated on a consistent basis with IFRS or the comparable current measure will be restated on a consistent basis with the past performance measure.

Retirement benefits

We operate a number of retirement benefit programmes throughout the world. Such benefits reflect local competitive conditions and legal requirements.

In the UK, all new employees (from 2001) are offered membership of a revalued career average defined benefit pension plan which provides benefits based on total earnings. Employees entitled to final salary benefits (calculated on basic earnings plus annual incentive awards limited to a further 20% of basic salary) receive benefits in line with those arrangements. Both of these arrangements are contributory and senior managers pay between 4% and 5% of pensioned earnings. No current executive Director participates in the UK plans. Pension arrangements in the US provide that all of any incentive awards under the AIP for all employees are pensionable, in line with normal practice in that country.

Sir John Sunderland was a member of the final salary pension arrangements from which he retired on his 60th birthday in 2005. Under the rules of the arrangements he received a pension of 2/3rds of his pensioned earnings (basic salary plus annual incentive bonus payment, limited to 20% of basic salary and averaged over three years). Ken Hanna is not a member of the Group's pension schemes and receives a cash allowance of 30% of his base salary in lieu of a pension contribution.

Bob Stack and Todd Stitzer 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. Bob Stack and Todd Stitzer are required under their current service contracts to retire at age 60 without a reduction factor applied to accrued benefits. The SERP has a ten year vesting period and the benefits of these Executive Directors are fully vested. Further details of these arrangements are set out on page 65.

Executive Directors – outside appointments

We recognise the benefits to the individual and to the Company of involvement by executive Directors as non-executive directors in companies outside the Group. Subject to certain conditions, and with the approval of the Board, each executive Director is permitted to accept only one appointment as a non-executive Director in another company. The executive Director is permitted to retain any fees paid for such service. Details of fees received by executive Directors are as follows:

Ken Hanna	£51,000	(Inchcape plc)
Todd Stitzer	£61,250	(Diageo plc)
Bob Stack	£55,000	(J Sainsbury plc)

Directors' remuneration report continued

Chairman and non-executive Directors

Sir John Sunderland, non-executive Chairman, is provided with a car and chauffeur. This benefit was expected to be reduced to three days per week from June 2006 but will remain at its current level of five days per week while Sir John retains his involvement with the CBI.

We normally appoint non-executive Directors for an initial period of three years but Sir John Sunderland's term as non-executive Chairman expires at the 2008 Annual General Meeting. Unless otherwise determined by the Board, the maximum term for a non-executive Director is nine years.

Fees for non-executive Directors are determined by the Board within the limits set by the Articles of Association. To ensure that the interests of the non-executive Directors are aligned with those of the shareowners, all non-executive Directors (except Sir John Sunderland) have chosen to utilise a percentage of their fees (between 50% and 100%) to purchase shares in the Company, which are bought within five business days of each relevant payment. Each non-executive Director has undertaken to hold such shares during the term of his or her appointment. The non-executive Directors do not have service contracts with the Company.

Non-executive	Date of initial appointment to Board	Commencement date of current term	Expiry date of current term
Sanjiv Ahuja	19 May 2006	19 May 2006	19 May 2009
Wolfgang Berndt	17 January 2002	18 February 2005	18 February 2008
Rick Braddock	27 June 1997	9 May 2006	24 May 2007
Roger Carr	22 January 2001	26 November 2006	26 November 2009
Lord Patten	1 July 2005	1 July 2005	1 July 2008
Sir John Sunderland	5 May 1993	24 August 2006	22 May 2008
David Thompson	9 March 1998	16 February 2007	8 March 2008
Rosemary Thorne	6 September 2004	6 September 2004	6 September 2007
Raymond Viault	1 September 2006	1 September 2006	1 September 2009
Baroness Wilcox	5 March 1997	20 February 2006	Retired 31 December 2006

Baroness Wilcox retired as a non-executive Director on 31 December 2006. Rick Braddock will retire at the 2007 AGM and will not offer himself for re-election.

Fees for the independent non-executive Directors were reviewed in 2006 and the following table sets out the new rates of fee payable with effect from 1 October 2006:

Annual fees payable with effect from 1 October 2006

Chairman	£400,000
Deputy Chairman	£105,000
Other non-executive Directors:	
– non-US based	£55,000
– US based	\$140,000
Fee supplement for Committee Chairmen	
– Audit	£15,000
– Remuneration	\$15,000/£12,500
– Corporate and Social Responsibility	£10,000

Audited information

Directors' remuneration tables

All the executive Directors invested their total AIP award in the Company's shares through the Bonus Share Retention Plan rather than taking it as cash.

In the following tables, references to CEC members mean the individuals who are members of the Chief Executive's Committee (our senior management) but who are not

executive Directors. One CEC member left the Group in 2006 and two new members were appointed. Remuneration shown for the CEC includes remuneration paid to the CEC member who left the Group as part of his termination package. In 2006, there were a maximum of nine individuals at any one time who were members of the CEC but who were not executive Directors.

Directors' remuneration summary (table one)

	2006 £000	2005 £000
Total remuneration:		
Fees as Directors	902	534
Salaries and other benefits (a)	3,198	3,493
Annual Incentive Plan/Bonus Share Retention Plan awards (b)	2,019	2,922
Gains on share plans	3,263	2,734
Pensions paid to former executive Directors	33	32

Notes

- (a) The highest paid Director was Todd Stitzer: £3,422,000 (2005: Sir John Sunderland: £3,441,000).
 (b) These amounts relate to the Annual Incentive Plan awards for each year. The total shown includes the service related match to be awarded under the Bonus Share Retention Plan to each Director based on the AIP award which they have invested and which will vest (normally) in three years' time. The performance related matching award is shown in table six.

Executive Directors' and CEC members' remuneration (table two)

	Base salary £000	Allowances (a) £000	Other benefits (b) £000	AIP/BSRP(c) £000	2006 total £000	2005 total £000
Ken Hanna	560	192	–	592	1,344	1,378
Bob Stack (d)	474	270	155	498	1,397	1,386
Todd Stitzer (d)	877	511	156	929	2,473	2,381
CEC members (f)	2,995	1,464	1,173	3,057	8,689	9,214

Directors' and CEC members' gains on share plans (table three)

	LTIP awards earned in 2006 £000	Gains on exercise of share options £000	2006 total £000	2005 total £000
Ken Hanna	558	–	558	–
Bob Stack	512	2	514	429
Todd Stitzer	949	–	949	266
Sir John Sunderland (e)	594	648	1,242	2,039
CEC members (f)	1,862	1,108	2,970	660

Notes to tables two and three above

- (a) The majority of the amount shown as Allowances for expatriate Directors (Bob Stack and Todd Stitzer) and expatriate CEC members relates to income tax payments. As taxation rates in the US are lower than in the UK, US tax payers are protected from a higher tax burden by means of a tax equalisation programme funded by the Company. Under this programme, we pay an amount equal to the incremental tax resulting from the assignment of individuals to the UK. This ensures that they are not penalised financially by accepting roles of an international nature which would result in higher taxation costs than would have been the case if they had remained in their home country. Due to the nature of taxation payments, some of the amounts shown are in respect of previous financial years. For all Directors and CEC members, Allowances include flexible benefits and car allowances. Ken Hanna's allowances include an amount equal to 30% of his base salary in lieu of a pension contribution.
- (b) Other benefits include company cars and, for expatriates, housing support and other allowances necessary to ensure that they are not penalised financially by accepting roles of an international nature which result in higher costs than would have been the case if they had remained in their home country.
- (c) The total AIP award shown was awarded in respect of 2006 performance and invested in the BSRP on 5 March 2007 by each eligible Director. The AIP and BSRP are described on pages 57 and 58. The amount shown includes the service related matching award to be awarded under the BSRP to each Director and the aggregate for CEC members. The performance related conditional matching awards are shown in table six.
- (d) Todd Stitzer's and Bob Stack's base salaries are calculated in US dollars as follows: Todd Stitzer – US\$1,618,846; Bob Stack – US\$874,038.
- (e) Sir John Sunderland was appointed as non-executive Chairman on 25 August 2005. Table three shows his gains in the year on share plans arising out of awards made whilst he was an executive Director. Sir John Sunderland had until 24 August 2006 to exercise his remaining share options following his retirement as an employee.
- (f) For all remuneration, the aggregate amounts shown for the CEC are only those amounts paid to individuals whilst they were CEC members. Other benefits for CEC members include payments made in connection with the cessation of employment.

Directors' remuneration report continued

Non-executive Directors' fees and benefits (table four)

	Other benefits £000	Board fee £000	Fee for chairing a committee £000	2006 total £000	2005 total £000
Sanjiv Ahuja (a)	–	32	–	32	–
Wolfgang Berndt	–	51	–	51	46
Rick Braddock	–	76	8	84	82
Roger Carr	–	101	–	101	93
Lord Patten	–	51	–	51	24
Sir John Sunderland (b)	3	381	–	384	132
David Thompson	–	51	15	66	57
Rosemary Thorne	–	51	–	51	46
Raymond Viault (a)	–	24	–	24	–
Baroness Wilcox	–	51	10	61	54

Notes

- (a) Sanjiv Ahuja was appointed as a non-executive Director on 19 May 2006 and Raymond Viault was appointed as a non-executive Director on 1 September 2006.
- (b) Sir John Sunderland was appointed as non-executive Chairman on 25 August 2005. Table three shows his gains on share plans arising out of awards made whilst he was an executive Director. Other benefits relate to the provision of a car and chauffeur as described on page 62.
- (c) None of the non-executives (other than Sir John Sunderland) received any other emoluments during the 2006 financial year.

Directors' and CEC members' interests in the Long-Term Incentive Plan (table five)

	Interest in shares at 1 January 2006 (or date of appointment if later) (a)	Interest in shares awarded in 2006 (b)	Shares vested (c)	Interest in shares lapsed (d)	Interest in shares as at 31 December 2006 (or date of resignation if earlier) (e)	Dividend Shares awarded and vesting (c)
Ken Hanna	328,875	164,028	95,520	42,714	354,669	7,438
Bob Stack	447,206	139,714	87,774	103,004	396,142	6,834
Todd Stitzer	740,900	260,484	162,567	158,263	680,554	12,659
Sir John Sunderland (f)	618,173	–	101,789	169,623	346,761	7,926
CEC members	1,648,231	652,082	318,980	324,147	1,657,186	24,836

Notes

- (a) Interests as at 1 January 2006 are potential interests shown at their maximum number in respect of the extended 2001-2003 and the 2002-2004 cycles, and the 2003-2005, 2004-2006 and 2005-2007 cycles.
- (b) The interests in shares awarded in 2006 relate to the 2006-2008 cycle. The mid-market price on 7 April 2006 when these awards were made was £5.61. The criteria under which these awards would vest in full are explained on page 59.
- (c) Shares vested on 4 March 2007 were in respect of the 2004-2006 cycle and include those deferred into trust for a further two years and (shown separately) shares which were awarded and vested in respect of dividends paid during the performance period, in accordance with ABI guidelines. The shares deferred into trust will only vest if the participant fulfils specified employment conditions during that time. If they do vest, a further award of shares will vest in respect of the dividends paid on these shares while they have been in trust, calculated on a similar basis. The mid-market price on 4 March 2007 was £5.41. On 5 March 2007, the following individuals disposed of ordinary shares which vested under the 2004-2006 cycle of the Company's Long Term Incentive Plan on 4 March 2007, the price received in each case being £5.28 per share: Sir John Sunderland – 109,715 shares; Bob Stack – 20,848 shares; Todd Stitzer – 38,614 shares.
- (d) All interests in shares in respect of the 2001-2003 cycle lapsed at the end of the financial year as did that part of the 2004-2006 cycle which did not vest.
- (e) Interests as at 31 December are potential interests shown at their maximum number in respect of the extended 2002-2004 and 2003-2005 cycles, and the 2005-2007 and 2006-2008 cycles. The current status of each cycle is shown on page 60. At the present time it is anticipated that no cycle will vest at maximum.
- (f) Sir John Sunderland's employment ceased on 24 August 2005 and consequently a proportion of his outstanding LTIP awards lapsed in accordance with the rules of the plan.
- (g) All awards are in shares. Qualifying conditions for the awards shown above have to be fulfilled by 31 December 2008 at the latest.

Executive Directors' and CEC members' performance related interests in the Bonus Share Retention Plan (table six)

This table shows the maximum performance related matching award granted to each Director in respect of the investment made by the Director of his AIP award in the BSRP.

	Maximum performance related award in respect of 2004 and 2005	Maximum performance related award in respect of 2006 (b)	Shares vested in 2006	Interest in shares lapsed in 2006	Total of maximum performance related awards in respect of 2004 to 2006 (c)
Ken Hanna	106,439	45,768	–	–	152,207
Bob Stack	87,748	38,515	–	–	126,263
Todd Stitzer	160,566	71,809	–	–	232,375
CEC members	316,786	175,284	–	–	492,070

Notes

- (a) The monetary value of the service-related awards for the 2006-2008 cycle (in respect of 2005 AIP) and for the 2007-2009 cycle (in respect of 2006 AIP) is included in the AIP/BSRP awards shown in tables one and two. The interests shown in this table are performance related awards shown at their maximum number in respect of the 2005-2007, 2006-2008 and 2007-2009 cycles. Performance related matching awards are made in March in respect of the previous year's AIP investment (i.e. in March 2007 for 2006 AIP). Shares purchased by Directors for the 2007-2009 cycle using their AIP investment were acquired on 5 March 2007 at a price of £5.546 per share as follows: Ken Hanna – 76,280 shares, Bob Stack – 64,193 shares, Todd Stitzer – 119,681 shares. The service related awards for this cycle are: Ken Hanna – 30,512 shares, Bob Stack – 25,677 shares, Todd Stitzer – 47,872 shares.
- (b) The mid-market price on 4 March 2007 when these awards were made was £5.41. Qualifying conditions for these awards are set out on page 58.
- (c) All awards are in shares. Qualifying conditions for the awards shown above have to be fulfilled by 31 December 2009 at the latest.

Executive Directors' pensions and retirement benefit arrangements (table seven)

	Accrued pension at 1 January 2007 £000	Increase in accrued pension during the year £000	Transfer value of accrued pension at 1 January 2007 £000	Transfer value of accrued pension at 1 January 2006 £000	Increase in transfer value over the year, less Directors' contributions £000	Increase in accrued pension during the year (net of inflation) £000	Transfer value of the increase in accrued pension (net of inflation) less Directors' contributions £000
US pension arrangements							
Bob Stack	360	70	3,370	2,596	774	64	602
Todd Stitzer	737	189	6,337	4,506	1,831	179	1,535

Notes

- (a) The pension arrangements for Bob Stack and Todd Stitzer are made in US dollars and converted, for the purpose of this table only, at the rate of US\$1.959 = £1.
- (b) As noted on page 61, Ken Hanna receives an amount equal to 30% of his base salary in lieu of a pension contribution.
- (c) The accrued pensions represent the amount of the deferred pension that would be payable from the member's normal retirement date on the basis of leaving service at the relevant date.
- (d) The transfer values have been calculated in accordance with the guidance note GN11: Retirement Benefit Schemes – Transfer values published by the Institute of Actuaries and Faculty of Actuaries, and by reference to investment market conditions at the relevant date. Under the Stock Exchange Listing Rules, the transfer value of the increase in accrued pension has been calculated using investment conditions at the date of retirement.
- (e) The aggregate amount set aside in 2006 to provide for pensions and post retirement medical benefits for the executive Directors and CEC members was £1.045m. This consists of approved pension arrangements of £0.728m, unapproved pension arrangements of £0.313m and post medical retirement benefits of £0.003m. Arrangements made in US dollars were converted at a rate of US\$1.959 = £1.

Directors' remuneration report continued

Directors' and CEC members' options over ordinary shares of 12.5p each (table eight)

Name of Director and Scheme	As at 1 January 2006 (or date of appointment if later)	Exercised(e)	As at 31 December 2006 (or date of resignation if earlier)	Exercise price £	Market price at exercise date £	Gain made on exercise £000(i)	Exercisable from	to
Ken Hanna								
SOP94 (a)	125,000	–	125,000	4.2475			27 Mar 2007	26 Mar 2014
SOP04 (b)	205,000	–	205,000	4.395			28 Aug 2007	27 Aug 2014
SOP04 (b)	200,000	–	200,000	5.255			2 Apr 2008	1 Apr 2015
SAYE (c)	4,699	–	4,699	3.5160			1 Feb 2010	31 Jul 2010
	534,699	–	534,699					
Bob Stack								
SOP94 (a)	250,000	–	250,000	4.09			2 Sep 2003	1 Sep 2010
SOP94 (a)	250,000	–	250,000	4.77			1 Sep 2004	31 Aug 2011
SOP94 (a)	250,000	–	250,000	4.825			24 Aug 2005	23 Aug 2012
SOP94 (a)	350,000	–	350,000	3.515			10 May 2006	9 May 2013
SOP04 (b)	177,000	–	177,000	4.395			28 Aug 2007	27 Aug 2014
SOP04 (b)	151,500	–	151,500	5.255			2 Apr 2008	1 Apr 2015
ESPP (d)	1,512	1,520	–	\$6.613	5.37	2	17 Apr 2006	28 Apr 2006
	1,430,012	1,520	1,428,500			2		
Todd Stitzer								
SOP94 (a)	275,000	–	275,000	4.77			1 Sep 2004	31 Aug 2011
SOP94 (a)	300,000	–	300,000	4.825			24 Aug 2005	23 Aug 2012
SOP94 (a)	500,000	–	500,000	3.515			10 May 2006	9 May 2013
SOP04 (b)	327,000	–	327,000	4.395			28 Aug 2007	27 Aug 2014
SOP04 (b)	284,000	–	284,000	5.255			2 Apr 2008	1 Apr 2015
	1,686,000	–	1,686,000					
Sir John Sunderland (g)								
SOP94 (a)	200,000	200,000	–	4.77	5.85	216	1 Sep 2004	24 Aug 2006
SOP94 (a)	500,000	500,000	–	4.825	5.41-5.85	425	24 Aug 2005	24 Aug 2006
SAYE (c)	3,117	3,117	–	3.248	5.50	7	1 Feb 2006	31 July 2006
	703,117	703,117	–			648		
CEC members	4,249,883	512,302	3,609,459	3.34	5.51	1,108	28 Sep 1999	25 Nov 2015

Notes

- (a) Share Option Plan 1994.
(b) Share Option Plan 2004.
(c) Savings-Related Share Option Scheme 1982.
(d) US and Canada Employee Stock Purchase Plan 1994. Under the rules of this Plan, interest which accrues on the money saved can also be used to purchase shares at the option price.
(e) No options lapsed during the year and no options were granted during the year in respect of Directors. 139,000 options lapsed when a CEC member left the Group and 10,878 options in all-employee plans were granted to CEC members.
(f) No payment was made on the granting of any of these options.
(g) Non-executive Directors are not granted share options. Sir John Sunderland had until 24 August 2006 to exercise his remaining share options following his retirement as an employee.
(h) The market price of an ordinary share on 29 December 2006 (the last dealing day in the financial year) was £5.46. The highest and lowest market prices of an ordinary share in the year were £5.90 and £4.99 respectively.
(i) Where some or all of the shares were sold immediately after the exercise of an option, the gain shown is the actual gain made by the Director or CEC member. If some or all of the shares were retained, the gain is a notional gain calculated using the market price on the date of exercise. When an option was exercised or shares were sold in parts on a number of different days in the year, the gain shown is the aggregate gain from all those exercises.

Share ownership (table nine)

	As at 1 January 2006 (or date of appointment if later)	As at 31 December 2006 (or date of resignation if earlier)	As at 9 March 2007 (unaudited)
Sanjiv Ahuja (a)	877	2,287	3,693
Wolfgang Berndt	76,072	81,439	82,939
Rick Braddock	47,528	55,152	56,916
Roger Carr	38,423	47,368	49,755
Ken Hanna (b)(c)	378,143	499,260	678,552
Lord Patten	1,021	5,448	6,698
Bob Stack (c)	764,725	838,558	890,248
Todd Stitzer (c)	551,835	611,000	822,331
Sir John Sunderland (c)	938,658	939,075	939,075
David Thompson	39,825	45,610	47,201
Rosemary Thorne	4,564	9,035	10,285
Raymond Vault (a)	–	9,736	11,328
Baroness Wilcox (d)	27,343	33,291	N/A
CEC members (c) (e)	1,132,326	1,496,139	1,862,486

Notes

- (a) Sanjiv Ahuja was appointed as a non-executive Director on 19 May 2006 and Raymond Vault was appointed as a non-executive Director on 1 September 2006.
- (b) Ken Hanna's shareholding includes an award of 225,000 restricted shares, vesting in three tranches of 75,000 shares each in March 2007, 2008 and 2009 if he is still employed by the Company at that time.
- (c) Holdings of ordinary shares include shares awarded under the BSRP and the all-employee share incentive plan and LTIP shares held in trust. The following executive Directors sold shares which vested under the 2004-2006 BSRP cycle on 4 March 2007: Bob Stack 20,070 shares at a price of £5.28 per share; Todd Stitzer: 81,174 shares at a price of £5.28 per share.
- (d) Baroness Wilcox retired as a non-executive Director on 31 December 2006.
- (e) Shareholdings of CEC members also include restricted share awards, the release of which is dependent upon specified performance conditions.
- (f) To accurately reflect the share ownership for each Director, as shown in the Register of Directors' Interests (maintained under Section 325 of the Companies Act 1985), the holdings for each Director in tables eight and nine should be added together.

The following executive Directors had interests in the Common Stock of US\$0.01 each of Dr Pepper/Seven Up Bottling Group, Inc (DPSUBG) (the holding company of the Group's American bottling operations) prior to the acquisition of all the shares in DPSUBG by a Group subsidiary on 2 May 2006:

Bob Stack	250
Todd Stitzer	2,500

These shares were purchased at the same price (\$125 per share) as that paid for all the other shares in DPSUBG not already owned by the Group.

Changes in the Directors' share interests since the year end (unaudited)

There were the following changes in the Directors' share interests between 1 January 2007 and 9 March 2007:

Ken Hanna purchased the following shares through participation in the Company's all-employee share incentive plan: 24 shares on 8 January 2007 at a price of £5.46 per share; 25 shares on 5 February 2007 at a price of £5.79 per share; and 25 shares on 5 March 2007 at a price of £5.42 per share.

The non-executive Directors elected to surrender part of their Directors' fees and on 5 January 2007 purchased the following number of shares at a price of £5.45 per share:

Sanjiv Ahuja	1,406
Wolfgang Berndt	1,500
Rick Braddock	1,764
Roger Carr	2,387
Lord Patten	1,250
David Thompson	1,591
Rosemary Thorne	1,250
Raymond Vault	1,592

Save as disclosed, there have been no other changes in the interests of the Directors between 1 January 2007 and 9 March 2007.

All the interests detailed above are beneficial. Save as disclosed, none of the Directors had any other interest in the securities of the Company or the securities of any other company in the Group. The Register of Directors' Interests, which is open to inspection, contains full details of Directors' shareholdings and share options.

By order of the Board

Rick Braddock
Chairman of the Remuneration Committee

9 March 2007