Cadbury UK Limited

Annual report and financial statements

for the year ended 31 December 2010

Registered number 155256

Cadbury UK Limited

Annual report and financial statements for the year ended 31 December 2010

Cadbury UK Limited

Directors and advisors
for the year ended 31 December 2010

Directors

R Doyle
D Harding-Smith
D J Pogson

Company Secretary

Cadbury Nominees Limited

Registered office

Cadbury House
Sanderson Road
Uxbridge
Middlesex
UB8 1DH

Registered number

155256

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Directors' report
for the year ended 31 December 2010

The Directors present their annual report and the audited financial statements of Cadbury UK Limited (the 'company'), for the year ended 31 December 2010 (the 'year')

Review of the Business and Principal activities

The principal activity of the company is the manufacture, marketing and sale of chocolate and sugar confectionery products and chocolate beverages to wholesale and retail outlets in the UK, as well as the provision of labour to the Cadbury UK Partnership ("the Partnership") under the terms of a service agreement

Cadbury UK Limited is one of the partner companies of the Cadbury UK Partnership The partnership agreement affords that the profits of the Partnership be distributed between the Partners in accordance with the wishes of the Management Committee The Partners are all subsidiary companies of Kraft Foods Inc

Under the terms of the partnership agreement, a Management Committee manages the business and affairs of the Partnership on its behalf The Management Committee comprises all of the directors of Cadbury UK Limited

Business review

As Cadbury UK Limited is one of the partner companies of the Cadbury UK Partnership, the directors consider it appropriate to include a business review that covers the Partnership as a whole

The Partnership's revenue is generated from the sale of branded confectionery products including chocolate, sugar sweets and chewing gum Cash is generated broadly in line with revenue and there are no significant time lags Direct costs of production include raw materials, packaging and labour The principal raw materials for confectionery products include cocoa, dairy products, sugar, sweeteners, and various types of nuts and fruit Indirect operating costs include marketing, distribution, indirect labour, warehousing, sales force, innovation, IT and administrative costs

The Partnership's revenue in 2010 was £1,390 million (2009 £1,308 million) which represents growth of 6 3% Performance was driven by strong sales in the important Easter and Christmas seasons, as well as strong organic growth from some of the Partnership's leading brands, such as Cadbury Dairy Milk

The Partnership has continued to invest in manufacturing capability across the UK manufacturing sites, with investments in Bournville on the Easter Egg and Assortments lines, and the completion of a new moulded chocolate production line A programme of investment in drinking chocolate manufacturing capability at the Chirk site was commenced in 2010, with completion expected late in 2011

In 2010 the Partnership's operating profit was £200 million, representing an operating margin of 14 4% Operating profit in 2009 was £123 million with an operating margin of 9 4% The improvement in operating profit was largely delivered through the strong revenue growth delivery by the commercial team We also saw substantial benefits flow from the programmes of investment to improve supply chain efficiency, although these improvements were partly offset by higher commodity costs An additional driver of improved profitability was the 8 1% reduction in net operating costs While the Partnership continues to closely manage operating costs, a large proportion (£21 million) of the reduction was due to lower recharges from the Cadbury Corporate headquarters, following the restructuring of head office operations

Within operating profit were restructuring costs of £21 million (2009 £22 million) These costs include redundancy costs associated with business reorganisation and project costs, with the most significant reconfiguration project being the closure of the Somerdale plant

Business risk factors

The Partnership and its results could be materially adversely affected by any or all of the following risks In addition to the following risk factors, we face certain financial risks that are discussed under the heading Financial Instruments (Liquidity Risk, Interest Rate Risk, Currency Risk, Credit Risk and Commodity Risk)

1) Competition and demand

The confectionery industry is highly competitive The Partnership competes with other multinational corporations which have significant financial resources to respond to and develop the markets in which both we and they operate These resources may be applied to change areas of focus or to increase investments in marketing or new products Furthermore, consumer tastes are susceptible to change If the Partnership is unable to respond successfully to rapid changes in demand or consumer preferences, sales or margins could be adversely affected

2) Product quality and safety

Despite safety measures adopted by the Partnership, products could become contaminated or not meet quality or safety standards The Partnership uses many ingredients in manufacturing confectionery which increases the risk of either accidental or malicious contamination Any contamination or failure to meet quality and safety standards may be expensive to remedy, could cause delays in manufacturing and may have adverse effects

3) Dependence on business partners

An increasing proportion of the Partnership's functions are outsourced to third parties Failure of the third parties to deliver on their contractual obligations or failure of the Partnership to manage them effectively could lead to adverse effects

4) Information technology

The Partnership depends on accurate, timely information and numerical data from key software applications to aid day-to-day decision-making Any disruption caused by failings in these systems could delay or otherwise impact day-to-day decision-making, or cause material financial losses

5) Raw materials

The Partnership depends upon the availability, quality and cost of raw materials from around the world, which exposes it to price and supply fluctuation Key items such as cocoa, milk, sweeteners, packaging materials and energy are subject to potentially significant fluctuations While measures are taken to protect against the short-term impact of these fluctuations, there can be no assurance that any shortfalls will be recovered A failure to recover higher costs or shortfalls in availability or quality could decrease the profitability of the Partnership

6) Role of food in public health

Many countries face rising obesity levels due to an imbalance between energy consumed via food and expended through activity The reasons for the changes in society and for some individuals having a greater inclination to obesity are multifaceted and complex There are risks associated with the possibility of government action against the food industry, such as levying additional taxes on or restricting the advertising of certain product types This could increase the tax burden or make it harder for the Partnership to market products, reducing sales and/or profits

Directors' report
for the year ended 31 December 2010 (continued)

Outlook for 2011 and future prospects

Looking ahead to 2011, the Partnership is confident that the business has strong foundations and that it operates in categories that have historically proved resilient to economic downturns The strong momentum coming into the year should help to drive continued revenue growth, while the progression of initiatives in place to improve efficiency and manage costs will help to sustain profitability levels

Following the acquisition of Cadbury plc by Kraft on 2nd February 2010, the change of control may have an impact on the measurement criteria applied to certain of the Partnership's assets and liabilities There is however no consequential impact on the financial statements for the year ended 31 December 2010

Results and dividends

The profit on ordinary activities for the financial year, after taxation, was £164,138,000 (2009 profit of £68,855,000)

During the year no dividend was paid (2009 £nil)

Statement of disclosure of information to auditors

Each of the persons who is a director 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/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

During the year Deloitte LLP resigned as auditors to the company, and the directors have appointed PricewaterhouseCoopers LLP

Directors and their interests

The directors at the date of this report are as stated on page 2

The directors of the company who were in office during the year and up to the date of signing the financial statements were

T Bond (resigned 1st October 2010)
G Chick (resigned 1st October 2010)
R Doyle
D Harding-Smith
S Hosaki (resigned 18th June 2010)
D J Pogson
P J Rumbol (resigned 30th July 2010)
W Strickland (resigned 1st October 2010)

None of the Directors at the year end had any interest in the share capital of the company

Cadbury UK Limited

Directors' report
for the year ended 31 December 2010 (continued)

Disabled employees

Cadbury UK Limited employs a number of people who are disabled, not all of whom are formally registered disabled persons in UK terms If an employee becomes disabled it is standard practice, in all but the most extreme circumstances, to offer an alternative job and provide retraining where necessary The company gives full and fair consideration (having regard to the persons' particular aptitudes and abilities) to applications for employment that disabled persons (as defined in the Disability Discrimination Act 1995) make to the company The company provides for the training, career development and supports promotion of those disabled persons the company employs

Employee involvement

The policy of informing and consulting with employees has continued by means of regular newsletters and employees are encouraged to present their views and suggestions in respect of the Partnership's performance

Financial instruments

The Partnership is exposed to financial risks arising from its business.

a) Liquidity risk

The Partnership achieves certainty of funding by operating a flexible borrowing mechanism with Kraft Foods Inc

Kraft Foods Inc seeks to achieve a balance between certainty of funding and a flexible, cost-effective borrowings structure Consequently the policy seeks to ensure that all projected net borrowing needs are covered by committed facilities

b) Interest rate risk

The Partnership has an exposure to interest rate fluctuations on its borrowings with Kraft Foods Inc and on certain finance leases

As Kraft Foods Inc Group treasury manages the Group's treasury operations, the Partnership does not seek to manage interest rate risk on it's borrowing with Kraft Foods Inc

c) Currency risk

The Partnership has transactional currency exposures arising from its international trade Kraft Foods Inc uses forward foreign exchange markets to manage its exposures on a Group basis Kraft Foods Inc 's policy is to take forward cover for all forecasted receipts and payments for as far ahead as the pricing structures are committed, subject to a minimum of three months' cover

d) Credit risk

The Partnership's trade receivables are concentrated with a small number of large customers, however management believe that credit risk is limited as these customers have high credit ratings Management therefore believe that there is no further credit risk provision require in excess of normal provision for doubtful receivables

e) Commodity risk

The Partnership has commodity movement exposures arising from its international trade Through Kraft Foods Inc , the Partnership makes use of derivative contracts for cocoa in order to provide a stable cost base for marketing finished products

On behalf of the Board,

D Harding-Smith
Finance Director, Cadbury UK Limited

9 June 2011

Cadbury UK Limited

Statement of Directors' Responsibilities
for the year ended 31 December 2010

The dırectors are responsıble for preparıng the dırector's annual report and the fınancıal statements ın accordance wıth applıcable law and regulatıons

Company law requıres the dırectors to prepare fınancıal statements for each fınancıal year Under that law the dırectors have prepared the fınancıal statements ın accordance wıth Unıted Kıngdom Generally Accepted Accountıng Practıce (Unıted Kıngdom Accountıng Standards and applıcable law) Under company law the dırectors must not approve the fınancıal statements unless they are satısfıed that they gıve a true and faır vıew of the state of affaırs of the company and of the profıt or loss of the company for that perıod In preparıng these fınancıal statements, the dırectors are requıred to

- select suıtable accountıng polıcıes and then apply them consıstently,
- make ȷudgments and accountıng estımates that are reasonable and prudent,
- state whether applıcable UK Accountıng Standards have been followed, subȷect to any materıal departures dısclosed and explaıned ın the fınancıal statements, and
- prepare the fınancıal statements on the goıng concern basıs unless ıt ıs ınapproprıate to presume that the company wıll contınue ın busıness

The dırectors are responsıble for keepıng adequate accountıng records that are suffıcıent to show and explaın the company's transactıons and dısclose wıth reasonable accuracy at any tıme the fınancıal posıtıon of the company and enable them to ensure that the fınancıal statements comply wıth the Companıes Act 2006 They are also responsıble for safeguardıng the assets of the company and hence for takıng reasonable steps for the preventıon and detectıon of fraud and other ırregularıtıes

Independent auditors' report to the members of Cadbury UK Limited

We have audited the financial statements of Cadbury UK Limited for the year ended 31 December 2010 which comprise the profit and loss account, the balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 8 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Cadbury UK Limited

Independent auditors' report to the members of Cadbury UK Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Charles Bowman
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
1 Embankment Place, London WC2N 6RH
Chartered Accountants and Statutory Auditors

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~~9~~ June 2011

Cadbury UK Limited

Profit and loss account
for the year ended 31 December 2010

	Note	2010	2009
		£'000	£'000
Turnover	3	**70,645**	73,378
Cost of sales	4	**(70,645)**	(73,378)
Gross profit		**-**	-
Net operating expenses		**-**	-
Operating profit		**-**	-
Share of profits in Partnership	1b	**162,280**	103,309
Profit on ordinary activities before interest and taxation		**162,280**	103,309
Share of interest receivable and similar income	8	**150**	1,352
Share of interest payable and similar charges	9	**(1,261)**	(6,462)
Profit on ordinary activities before taxation		**161,169**	98,199
Tax on profit on ordinary activities	10	**2,969**	(29,344)
Profit for the financial year	18	**164,138**	68,855

There are no recognised gains or losses in either year other than the profit for the financial year and therefore no separate statement of total recognised gains and losses is required

All activity is derived from continuing operations throughout both years

There is no material difference between the result as disclosed in the profit and loss account and the result on a historical cost basis

The accompanying notes form an integral part of this profit and loss account

Cadbury UK Limited

Balance sheet
as at 31 December 2010

	Note	**2010**	2009
		£'000	£'000
Fixed assets			
Investments	11	**402,703**	238,058
		402,703	238,058
Current assets			
Debtors	12	**30,161**	67,573
		30,161	67,573
Creditors: amounts falling due within one year	13	**(45,946)**	(75,028)
Net current assets / (liabilities)		**(15,785)**	(7,455)
Total assets less current liabilities		**386,918**	230,603
Provisions for liabilities and charges	15	**(13,058)**	(26,937)
Net assets		**373,860**	203,666
Capital and reserves			
Called up share capital	17	**49,675**	49,675
Capital reserve	18	**9,241**	9,301
Profit and loss account	18	**314,944**	144,690
Total shareholders' funds	18	**373,860**	203,666

The financial statements on pages 11 to 32 were approved by the board of directors on 25 May 2011 and signed on its behalf by

D Harding-Smith
Finance Director, Cadbury UK Limited (Registered number 155256)

9 June 2011

Cadbury UK Limited

Notes to the financial statements for the year ended 31 December 2010

1 Accounting policies

The principal accounting policies are summarised below They have been applied consistently throughout the year and the preceding year

a) Accounting convention

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom The principal accounting policies, which have been applied consistently throughout the year, are set out below

b) Partnership Agreement

Under the terms of the partnership agreement, the company is entitled to a share of the operating profit and interest of the Partnership as determined by the Management Committee Share of operating profit is shown within "Share of profits in Partnership"

Under the terms of the partnership agreement, the beneficial interest of all assets and liabilities used in the business of the partners was transferred to the Partnership on 31 December 2000 Accordingly, these assets are no longer disclosed in the financial statements of Cadbury UK Limited, with the exception of corporation tax, deferred tax, investments and inter-company balances greater than one year, which remain in the company In exchange for this transfer of all other assets, Cadbury UK Limited received an investment in the Partnership, which is disclosed in investments

These financial statements should be read in conjunction with the financial statements of the other partners and the Cadbury UK Partnership financial statements

c) Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the actual rate prevailing at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the year end are translated at the middle market rates at the balance sheet date Transaction differences arising from exchange rate variations on trading transactions are included within operating profits

d) Investments

Fixed asset investments are stated at cost, less amounts written off Income from fixed asset investments is included together with the related tax credit in the financial statements of the year in which it is receivable.

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

1 Accounting policies (continued)

f) Cash flow statement

In accordance with the provision of Financial Reporting Standard No 1 (revised 1996), the company has not prepared a cash flow statement because its parent company, Kraft Foods Inc has prepared consolidated financial statements which include the financial statements of the company for the period and which are publicly available

g) Treasury Risk Management

The principal activity of the company is the manufacture, marketing and sale of chocolate confectionery products to wholesale and retail outlets in the UK The company's financial instruments comprise investments, borrowings and other creditors No trading in financial instruments was undertaken by the company during the period under review

The main risks arising from the company's financial instruments are liquidity risk, interest rate risk, currency risk and credit risk Details of treasury risk management are outlined in the Report of the Directors

h) Share based payments

The Partnership has opted for full retrospective adoption of Financial Reporting Standard 20 "Share-based payments" Prior to its acquisition by Kraft Foods Inc, Cadbury plc issued equity settled share-based payments to certain Partnership employees Following the change in ownership Kraft Foods Inc issues equity settled share-based payments to certain Partnership employees

A fair value for the equity settled share awards is measured at the date of the grant Management measures the fair value using the valuation technique that they consider to be the most appropriate to value each class of award Methods used include Binomial models, Black-Scholes calculations and Monte Carlo simulations The valuations take into account factors such as non-transferability, exercise restrictions and behavioural considerations An expense is recognised to spread the fair value of each award over the vesting period on a straight-line basis, after allowing for an estimate of the share awards that will eventually vest The estimate of the level of vesting is reviewed at least annually, with any impact on the cumulative charge being recognised immediately

i) Going Concern

Following the acquisition of Cadbury plc by Kraft Foods the Partnership is now subject to the Kraft group treasury arrangements On the basis of the current committed facilities and the Partnership's financial projections, the Management Committee consider that the Partnership has adequate resources to continue in operational existence for the foreseeable future

j) Pension Costs and Other Post Retirement Benefits

The Partnership accounts for pensions and post retirement benefits in accordance with Financial Reporting Standard 17

The Partnership operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund

The Partnership also participates in UK pension schemes for UK Cadbury companies The UK pension plans are administered and funded on a UK basis, with contributions fixed based on the position of the overall fund Due to the impact of past Group restructuring and transfers of pension scheme members between Group companies, the Partnership is unable to identify its share of the assets and liabilities in the scheme on a consistent and reasonable basis Consequently, the Partnership has accounted for its contributions to the scheme as if it were a defined contribution scheme

2 Annual Financial Statements

As permitted by under section 401 of the Companies Act 2006 the company, being a wholly owned subsidiary of Kraft Foods Inc , does not prepare group financial statements The results of the company are included in the audited financial statements of Kraft Foods Inc for the year ended 31 December 2010 The company is therefore exempt from the requirements to prepare group financial statements under Section 401 of the Companies Act 2006 These financial statements present information about the company as an individual undertaking and not as a group

The annual financial statements were drawn up on a calendar year basis to 31 December 2010

The profit and loss account covers the periods from 1 January 2010 to 31 December 2010 (2010) and 1 January 2009 to 31 December 2009 (2009) The balance sheets for 2010 and 2009 have been drawn up at 31 December 2010 and 31 December 2009 respectively

3 Turnover

Revenue arises from recharges to the Cadbury UK Partnership for all employee related expenditure incurred by the company in relation to employees of the Partnership, excluding value added tax and sales taxes Revenue is recognised as costs are incurred

4 Cost of sales

	2010	2009
	£'000	£'000
Cost of sales	**70,645**	73,378

Cost of sales includes £1,392,000 (2009 £2,355,000) in respect of the cost of business reconfiguration and rationalisation The audit fee of £5,000 (2009 £5,000) was borne by the Cadbury UK Partnership in both years There were no non-audit fees payable to the auditors in either year

5 Pension arrangements

The company participates in a defined contribution pension scheme During 2010 the cost to the Partnership was £12,000 There were no outstanding or prepaid contributions at the balance sheet date

The Partnership also participates in UK pension schemes for UK Cadbury companies The UK pension plans are administered and funded on a UK basis, with contributions fixed based on the position of the overall fund Due to the impact of past Group restructuring and transfers of pension scheme members between Group companies, the Partnership is unable to identify its share of the assets and liabilities in the scheme on a consistent and reasonable basis Consequently, the Partnership has accounted for its contributions to the scheme as if it were a defined contribution scheme

The total pension cost of the Partnership, borne on behalf of the partners, was £30,667,000 (2009 £27,677,000), which, together with the pension costs of other subsidiaries in the group schemes, was assessed by qualified actuaries based on the latest actuarial assessment

5. Pension arrangements (continued)

The net pension liability is as follows

	2010	2009
	£m	£m
Present value of funded obligations	**(2,255)**	(2,118)
Present value of unfunded obligations	**(18)**	(18)
Fair value of scheme assets	**2,009**	1,869
	(264)	(267)

Changes in the present value of the defined benefit scheme obligation are as follows

	2010	2009
	£m	£m
Opening defined benefit obligation	**2,136**	1,780
Current service cost	**39**	28
Past service cost	**(30)**	-
Interest on scheme liabilities	**120**	108
Actuarial loss	**108**	309
Benefits paid	**(100)**	(89)
Closing defined benefit obligation	**2,273**	2,136

5. Pension arrangements (continued)

Changes in the fair value of scheme assets are as follows

	2010	2009
	£m	£m
Opening fair value of scheme assets	**1,869**	1,779
Expected return on scheme assets	**126**	112
Contributions by employer	**38**	32
Actuarial gain	**76**	35
Benefits paid	**(100)**	(89)
Closing fair value of scheme assets	**2,009**	1,869

The fair value of the major categories of scheme assets and the expected rate of return at the balance sheet date are as follows

	Expected return		**Fair value of assets**	
	2010	2009	**2010**	2009
	%	%	**£m**	£m
Equities	**8 20**	8 50	**883**	859
Debt	**4 56**	4 90	**603**	468
Property	**7.40**	7 50	**121**	91
Other	**5.49**	5 58	**402**	451
Fair value of scheme assets			**2,009**	1,869

The Scheme assets do not include any of the Partnership's own financial instruments, or any property occupied by the Partnership

The expected return on assets is determined by considering the expected returns available on the assets underlying the current investment portfolio Expected returns on equity investments reflect a 10 year median return For bonds the expected yield has been calculated based on the redemption yield

The last full actuarial valuation of the Plan carried out as at 5 April 2010 by Towers Watson, actuarial consultants to the Plan, has been updated to 31 December 2010 by Towers Watson

5. Pension arrangements (continued)

The mortality tables used are the PMA80C2007 tables rated down by 2 5 years for males and the PFA80C2007 tables rated down by 1 year for females There is also an allowance for future mortality improvements, which is the standard "medium cohort" projections subject to a minimum rate of improvement of 1% per annum Based on these mortality assumptions, the life expectancy of a member currently aged 60 and the life expectancy of a member aged 60 in 15 years time are as shown in the table below

Life Expectancy

	Males	Females
Current pensioners (age 60)	**25.8 years**	28 8 years
Future pensioners (age 60 in 15 years)	**27.5 years**	30 4 years

The principal actuarial assumptions as at the balance sheet date were

	2010	2009
	%	%
Discount rate	**5 50**	5 70
Rate of increase in salaries	**4 25**	4 50
Rate of increase in deferred pensions		
- RPI linked	**3 50**	3 50
- CPI linked	**3 00**	n/a
Inflation	**3 50**	3 50
Rate of increase in pensions in payment	**3.50**	3 30

6 Directors' emoluments

	2010	2009
	£'000	£'000
Aggregate emoluments paid or receivable for qualifying services	2,430	3,622

The directors provided their services to the Cadbury UK Partnership, and consequently the cost of their emoluments was borne by the Partnership It is not practical to allocate the directors' emoluments between the respective companies which comprise the Partnership, hence the emoluments of the directors are disclosed in full above with respect to their services to the Partnership

One Director was paid £567,000 during the year including £432,000 in payments for compensation for loss of office

One director (one in 2009) was remunerated in the year by Kraft Foods Inc or its subsidiary undertakings for their services to the group as a whole No remuneration was paid to them specifically in respect of their services to Cadbury UK Limited (2009 £nil)

The emoluments of the highest paid director (excluding compensation for loss of office) were £437,000 in respect of services provided for the year In 2009 the emoluments of the highest paid director were £1,040,000 in respect of services provided for the year At the year-end, the accrued pension under the company's defined benefit scheme for the highest paid director was £843,000 (£2,036,000 in 2009)

During the year eight directors (four in 2009) received or were due shares under long-term incentive schemes

During the year eight directors (eight in 2009) were members of a Group UK defined benefit pension scheme

During the year eight directors (four in 2009) exercised options over shares in the company's parent prior to change of ownership, Cadbury plc

7 Employee information

Since the formation of the Partnership on 17 July 2000, employee emoluments were borne by the Partnership although all employees remained employed by Cadbury UK Limited On 6 April 2002 the employment of some employees was transferred to Cadbury Trebor Bassett Services Limited, a fellow Group undertaking Certain shop floor employees remain employed by Cadbury UK Limited

The average number of employees employed by Cadbury UK Limited on behalf of the Partnership was

	2010	2009
	Number	Number
Production	**1,462**	1,536

Employee emoluments comprised:

	2010	2009
	£'000	£'000
Wages and salaries	**57,405**	59,306
Social Security Costs	**5,061**	4,863
Other pension costs	**8,179**	9,209
	70,645	73,378

Employment costs in 2010 include £nil (2009 £900,000) additional pension funding relating to continuing employees Employment costs in 2010 also include £1,289,000 (2009 £2,355,000) of redundancy costs

8 Share of Interest receivable and similar income

	2010	2009
	£'000	£'000
Interest receivable on external loans and deposits	**7**	27
Interest receivable on inter-company loans and deposits	**143**	1,325
	150	1,352

Cadbury UK Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

9 Share of Interest payable and similar charges

	2010 £'000	2009 £'000
Interest payable on overdrafts and bank loans	**125**	65
Finance leases	**224**	162
Interest payable on inter-company loans	**185**	4,893
Unwind of discount	**727**	1,342
	1,261	6,462

10 Taxation on profit on ordinary activities

The tax charge comprises

	2010 £'000	2009 £'000
UK corporation tax		
Current year	**1,732**	34,966
Prior year	**(27,984)**	(844)
Overseas tax	**1,731**	1,824
Double tax relief	**(1,731)**	(1,824)
Total current tax (credit)/charge	**(26,252)**	34,122
Deferred taxation		
Current year	**23,417**	(5,696)
Prior year	**(134)**	918
Total deferred tax	23,283	(4,778)
Tax (credit)/charge on profit on ordinary activities	**(2,969)**	29,344

10 Taxation on profit on ordinary activities (continued)

The table below reconciles the UK Corporation Tax rate applicable each year to the effective rate obtained by computing the current tax charge as a percentage of profit before tax

	2010	2009
	£'000	£'000
Profit on ordinary activities before taxation	**161,169**	98,199
UK corporation tax @ 28% (2009 28%)	**45,127**	27,496
Effects of:		
Depreciation less capital allowances	**10,015**	9,077
Short-term timing differences	**(1,935)**	(3,400)
Adjustment to tax charge in respect of previous periods	**(27,984)**	(844)
Group relief not paid	**(52,281)**	-
Permanent differences	**806**	1,793
Total current tax (credit)/charge	**(26,252)**	34,122

11 Investments

	Subsidiary Undertakings	Partnership	Total
	£'000	£'000	£'000
Cost and net book value			
At beginning of the year	31,049	207,009	238,058
Additions	-	164,645	164,645
At end of the year	31,049	371,654	402,703

The directors believe that the carrying value of the investments is supported by their underlying net assets

The investment in the Partnership, and additions to this, represents the interest in the Cadbury UK Partnership received in exchange for the transfer of certain assets and liabilities to the Partnership

The company held the equity share capital and the voting rights of the following subsidiary undertakings

	Principal activity	Country of incorporation	Proportion of ordinary issued capital held
Cadbury International Limited	Provision of procurement services	England and Wales	100%

12 Debtors

	2010	2009
	£'000	£'000
Amounts owed by Partnership	27,953	44,290
UK Corporation tax	2,208	-
Deferred taxation (note 14)	-	23,283
	30,161	67,573

13 Creditors: amounts falling due within one year

	2010	2009
	£'000	£'000
Amounts owed to fellow subsidiary undertakings	31,049	31,049
Other taxes & social security costs	3,316	2,577
UK Corporation tax	-	26,627
Accruals and deferred income	11,581	14,775
	45,946	75,028

Amounts owed to fellow subsidiary undertakings are non-interest bearing

14 Deferred taxation

The deferred tax included in the balance sheet is as follows

	2010	2009
	£'000	£'000
Deferred tax asset included in debtors (note 12)	-	(23,283)

14 Deferred taxation (continued)

The movement in the deferred taxation account during the year was

	Deferred taxation
	£'000
At beginning of the year	23,283
Charged during the year	(23,283)
At end of the year	-

The movement in the year is as follows

	2010	2010	2010	2009
	ACAs	**Short term timing differences**	**Total**	Total
	£'000	**£'000**	**£'000**	£'000
At beginning of the year	**(18,901)**	**(4,382)**	**(23,283)**	(18,505)
Profit and loss account	**18,901**	**4,382**	**23,283**	(4,778)
At end of the year	-	-	-	(23,283)

The company has unrecognised deferred taxation (assets)/liabilities as follows

	2010	2009
Not provided in financial statements	**£'000**	£'000
Accelerated capital allowances	**(27,084)**	537
Short term timing differences	**(3,289)**	-
	(30,373)	537

The assets are not provided for as there is currently no expectation of reversal in the foreseeable future due to the availability of Group tax losses

14 Deferred taxation (continued)

During the period, as a result of the change in the UK corporation tax rate from 28% to 27% that was substantively enacted on 20 July 2010 and was effective from 1 April 2011, the unrecognised deferred tax balances have been re-measured

Further reductions to the UK corporation tax rate have been announced The following changes had not been substantively enacted at the balance sheet date and, therefore, are not reflected in the movement of the unrecognised deferred tax assets in these financial statements With effect from 1 April 2011 the rate was reduced from 28% to 26% rather than to 27% This change was substantively enacted on 29 March 2011 following the March 2011 budget Further changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 23% by 1 April 2014

15 Provisions for liabilities

	Reconfiguration provision
	£'000
At beginning of the year	26,937
Charged during the year	1,392
Utilised during the year	(15,271)
At end of the year	**13,058**

The reconfiguration provision is to cover redundancy costs arising from the Group's cost reduction programme Of this provision, £nil (2009 £8,400,000) is due after more than 1 year

16 Share-based Payments

Cadbury Plc Share Plans

Prior to the acquisition of Cadbury plc by Kraft Foods Inc Cadbury plc offered share awards to certain employees of the Partnership which were settled using the equity of the ultimate parent company, Cadbury plc The Partnership recognised total expenses of £11,268,000 (2009 £4,786,000) related to these equity and cash-settled share-based payment transactions during the year

The Long Term Incentive Plan (LTIP) was available to Board members and certain senior executives In 2010 no shares were awarded (2009 91,619) Following the acquisition by Kraft Foods Inc the scheme awards were cash settled The charge for the year was £4,320,000 (2009 £202,000)

The Bonus Share Retention Plan (BSRP) was available to Board members and certain senior executives In 2010 no shares were awarded (2009 93,867) Following the acquisition by Kraft Foods Inc the scheme awards were equity settled The charge for the year was £440,000 (2009 £1,809,000)

16 Share-based Payments (continued)

The Group had an Internatıonal Share Award Plan (ISAP) whıch was used to replace share based awards that new employees have forfeıted on leavıng theır previous employer and to reward exceptıonal performance amongst employees In 2010 no shares were awarded (2009 20,750) Following the acquısıtıon by Kraft Foods Inc the scheme awards were equıty settled. The charge for the year was £79,000 (2009 £56,000)

The Performance Shares Plan (PSP) was avaılable to certaın senıor managers In 2010 no shares were awarded (2009 188,800) Followıng the acquısıtıon by Kraft Foods Inc the scheme awards were equıty settled The charge for the year was £821,000 (2009 £827,000)

The Group had a Dıscretıonary Share Optıon Plans (DSOP) avaılable to certaın senıor managers and also had a UK share optıon scheme for all employees of the Partnershıp ("share save") Optıons were normally forfeıted ıf the employee left the Group before the options vest Followıng the acquısıtıon by Kraft Foods Inc the scheme awards were equıty settled DSOP and share save plans, detaıls of whıch are set out below, resulted ın a charge of £5,608,000 ın 2010 (2009 £1,892,000)

The expense was recognısed for the change ın faır value of the number of shares that were awarded to settle the optıons from the prıor balance sheet date In 2010 the faır value ıs measured as the cost ıncurred to settle the share award schemes In 2009 the faır value was measured usıng the valuatıon technıque that ıs consıdered to be the most approprıate to value each class of award these ınclude Bınomıal models and Black-Scholes calculatıons These valuatıons take ınto account factors such as non-transferabılıty, exercıse restrıctıons and behavıoural consıderatıons Key faır value and other assumptıons are detaıled below

Schemes granted in 2009:

	LTIP	ISAP	Sharesave
Expected volatility	n/a	n/a	32-34%
Expected life	3 yrs	1–4 yrs	Vestıng + 5 months
Rısk free rate	2 30%	0 6-2 5%	1 5-2 7%
Expected dividend yield	2 70%	2 2-3 4%	2 1-2 3%
Fair value per option (% of share price at date of grant)	91 40%	85 9-97 8%	39 1-46 1%
Possıbility of ceasing employment before vesting	–	–	4-10%
Expectation of meeting performance crıteria	100%	100%	n/a

Expected volatılıty was determıned by calculatıng the hıstorıcal volatılıty of the Group's share prıce over the prevıous three years The expected lıfe used ın the model has been adjusted, based on management's best estımate, for the effects of non-transferabılıty, exercıse restrıctıons and behavıoural consıderatıons

Notes to the financial statements
for the year ended 31 December 2010 (continued)

16 Share-based Payments (continued)

2010: Details of the share option plans are as follows:

	Balance outstanding at the beginning of year	Granted	Exercised	Cancelled	Balance outstanding at the end of the year
a	4,834,642	-	3,021,065	1,813,577	-
b	2,287,787	-	1,429,590	858,197	-
c	203,063	-	201,717	1,346	-
d	307,613	-	306,043	1,570	-

2009· Details of the share option plans are as follows

	Balance outstanding at the beginning of year	Granted	Exercised	Cancelled	Balance outstanding at the end of the year	Exercise price for options (in £s)	Weighted average exercise price of options (in £s) (i)	Weighted average contractural life in months of options outstanding at the end of the year	Exercisable at year end	Weighted average exercise price of options currently exerciseable at year end (in £)
a	6,411,487	-	1,285,057	291,788	4,834,642	3 51-5 22	4 3	23 03	-	-
b	1,115,618	1,339,011	2,890	163,952	2,287,787	4 62-5 05	4 80	50 86	-	-
c	665,303	-	462,240	-	203,063	3 69-5 38	4 66	32 47	203,063	4 66
d	987,128	-	583,694	95,821	307,613	4 90-6 34	5 44	59 96	307,613	5 44

a) The Cadbury Schweppes Savings-Related Share Option Scheme 1982 for employees was approved by shareholders in May 1982 These options, granted by Cadbury Schweppes plc prior to 2 May 2008, were normally exercisable within a period not later than 6 months after the repayment date of the relevant, "Save-as-you-Earn" contracts which are for a term of 3, 5 or 7 years

b) The Cadbury plc 2008 Savings Related Share Option Scheme for employees was approved by shareholders in April 2008 These options were normally exercisable within a period not later than 6 months after the repayment date of the relevant, "Save-as-you-Earn" contracts which are for a term of 3, 5 or 7 years

c) The Cadbury Schweppes Share Option Plan 1994 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 were normally exercisable within a period of 7 years commencing 3 years from the date of grant, subject to the satisfaction of certain performance criteria

16 Share-based Payments (continued)

d) The Cadbury Schweppes Share Option Plan 2004 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 were normally exercisable within a period of 7 years commencing 3 years from the date of grant, subject to the satisfaction of certain performance criteria

Kraft Foods Inc Share Plans

Kraft Foods uses a combination of deferred shares and share options under its Equity Awards Programme which is available to eligible employees (including Directors)

Deferred Shares Awards

Under the Equity Awards Programme eligible employees of the Partnership are granted a "Deferred Stock Unit Award" (the "Award") with respect to a number of shares (the "Deferred Shares") of the Common Stock of Kraft Foods Inc The employee stock does not have the right to vote with the Deferred Shares or receive dividends but is entitled to receive cash payments in lieu of dividends otherwise payable The Awards are non transferable and may not be assigned, hypothecated or otherwise pledged Some awards granted to eligible employees have performance criteria attached to them and all schemes have the requirement that the employee remains in employment of the Kraft Foods Inc group from award date to vesting date If an employee moves within the Kraft Foods Inc group then an intra-group reallocation is made and the charge for the Award is time apportioned The Awards generally vest on the third anniversary of the grant date

Movements in the total number of deferred shares and their weighted-average grant date fair values (WAFV) are as follows

	Number of shares	2010 WAFV
Opening balance	-	
Granted	78,040	£18 83
Forfeited	(220)	£18 83
Closing balance	77,820	£18 83

The fair value of deferred stock is determined based on the number of shares granted and the market value at date of grant. The total charge for the period relating to employee share-based payments under this plan was £176,000 (2009 - £nil), all of which related to equity-settled share-based payment transactions

Executive share option scheme

The company has a share option scheme for eligible employees (including directors) and also issued a one-off additional share option scheme to certain employees in 2010 (including directors) Options are granted at an exercise price equal to the market value of the underlying stock on the date of grant Share options generally become exercisable one-third each year on the first anniversary of the grant date and have a maximum term of ten years The options are settled in equity once exercised

If the options remain unexercised after a period of 10 years from the date of grant, the options expire Options are not transferrable and are forfeited if the employee leaves the company before the options are exercised If an employee moves within the Kraft group then an intra-group re-allocation is made on a time apportioned basis

Notes to the financial statements for the year ended 31 December 2010 (continued)

16 Share-based payments (continued)

Details of the number of share options and the weighted average exercise price (WAEP) during the period are as follows

	Number of shares	2010 WAEP
Opening balance	-	
New options issued in period	357,220	£19 04
Options cancelled/forfeited	(1,320)	£19 04
Closing balance	355,900	£19 04
Exercisable at the end of the period	-	

Shares have a weighted average remaining life of 2 3 years

In April 2010 options were granted at an exercise price of £19 04 The estimated fair value of the options granted was £2 36 The fair values were calculated by Kraft Foods Inc using a modified Black Scholes methodology

The weighted-average Black-Scholes fair value assumptions were as follows

	Number of shares
Risk-free interest rate	2 82%
Expected life	6 years
Expected volatility	19 86%
Expected dividend yield	4 14%
Fair value at grant date	£2 36

The total charge for the period relating to employee share-based payments under these plans was £157,000 (2009 - £nil), all of which related to equity-settled share-based payment transactions

17 Called up share capital

	2010	2009
	£'000	£'000
Authorised		
50,000,000 ordinary shares of £1 each	**50,000**	50,000
Allotted, called up and fully paid		
49,675,000 ordinary shares of £1 each	**49,675**	49,675

18 Reconciliation of movements in shareholders' funds

	Called-up Share capital	Capital reserve	Profit and loss account	2010 Total	2009 Total
	£'000	**£'000**	**£'000**	**£'000**	£'000
At beginning of the year	49,675	9,301	144,690	203,666	130,848
Profit for the financial year	-	-	164,138	164,138	68,855
Credit to equity for share-based payment	-	-	6,056	6,056	3,980
Transfer between reserves and other movements	-	(60)	60	-	(17)
At end of the year	**49,675**	**9,241**	**314,944**	**373,860**	203,666

Upon transfer of the revalued assets to the Partnership on 31 December 2000 in accordance with the accounting policies set out in note 1, the associated revaluation reserve was transferred to a non-distributable capital reserve Transfers between the capital reserve and the profit and loss account reserve will continue to be made in future years in order to amortise surpluses over the remaining useful lives of the properties

The profit and loss account includes the company's share of the debit to equity for share-based payments in line with Financial Reporting Standard No 20 – 'Share-based Payments'

19 Related Party Transactions

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS8, 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Kraft Foods Inc, whose accounts are publicly available

20 Ultimate Parent Company

The immediate parent undertaking is Vantas International Limited During 2009 the company's controlling and ultimate parent undertaking was Cadbury plc On 2 February 2010, Kraft Foods Inc acquired Cadbury plc Following this change of control the Partnership's ultimate parent undertaking is Kraft Foods Inc a company incorporated in United States of America Kraft Foods Inc is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2010 The consolidated financial statements are available from their registered address of Three Lakes Drive, Northfield, Illinois 60093, USA

Cadbury UK

Annual report and financial statements

for the year ended 31 December 2010

Cadbury UK

Management Committee and Advisors

Partners
Cadbury UK Limited
Trebor Bassett Limited
The Old Leo Company Limited

Management committee
R Doyle
D Harding-Smith
D J Pogson

Company secretary
Cadbury Nominees Limited

Principal office
Cadbury House
Sanderson Road
Uxbridge
Middlesex
UB8 1DH

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Cadbury UK

Report of the Management Committee year ended 31 December 2010

In accordance with Regulation 4(1) (a) and (b) of the Partnerships and Unlimited Companies (Accounts) Regulations 1993, the Management Committee present their Report, together with the audited financial statements of Cadbury UK (the 'Partnership') for the year ended 31 December 2010 ("the year")

Review of the Business and Principal Activities

The principal activity of the Partnership is the manufacture, marketing and sale of chocolate and sugar confectionery products and chocolate beverages to wholesale and retail outlets in the UK

The Partnership agreement affords that the profits of the Partnership be distributed between the Partners in accordance with the wishes of the Management Committee The Partners are all subsidiary companies of Kraft Foods Inc

Business review

The Partnership's revenue is generated from the sale of branded confectionery products including chocolate, sugar sweets and chewing gum Cash is generated broadly in line with revenue and there are no significant time lags Direct costs of production include raw materials, packaging and labour The principal raw materials for confectionery products include cocoa, dairy products, sugar, sweeteners, and various types of nuts and fruit Indirect operating costs include marketing, distribution, indirect labour, warehousing, sales force, innovation, IT and administrative costs

The Partnership's revenue in 2010 was £1,390 million (2009 £1,308 million) which represents growth of 6 3% Performance was driven by strong sales in the important Easter and Christmas seasons, as well as strong organic growth from some of the Partnership's leading brands, such as Cadbury Dairy Milk

The Partnership has continued to invest in manufacturing capability across the UK manufacturing sites, with investments in Bournville on the Easter Egg and Assortments lines, and the completion of a new moulded chocolate production line A programme of investment in drinking chocolate manufacturing capability at the Chirk site was commenced in 2010, with completion expected late in 2011

In 2010 the Partnership's operating profit was £200 million, representing an operating margin of 14 4% Operating profit in 2009 was £123 million with an operating margin of 9 4% The improvement in operating profit was largely delivered through the strong revenue growth delivery by the commercial team We also saw substantial benefits flow from the programmes of investment to improve supply chain efficiency, although these improvements were partly offset by higher commodity costs An additional driver of improved profitability was the 8 1% reduction in net operating costs While the Partnership continues to closely manage operating costs, a large proportion (£21 million) of the reduction was due to lower recharges from the Cadbury Corporate headquarters, following the restructuring of head office operations

Within operating profit were restructuring costs of £21 million (2009 £22 million) These costs include redundancy costs associated with business reorganisation and project costs, with the most significant reconfiguration project being the closure of the Somerdale plant

Business risk factors

The Partnership and its results could be materially adversely affected by any or all of the following risks In addition to the following risk factors, we face certain financial risks that are discussed under the heading Financial Instruments (Liquidity Risk, Interest Rate Risk, Currency Risk, Credit Risk and Commodity Risk)

1) Competition and demand
The confectionery industry is highly competitive The Partnership competes with other multinational corporations which have significant financial resources to respond to and develop the markets in which both we and they operate These resources may be applied to change areas of focus or to increase investments in marketing or new products Furthermore, consumer tastes are susceptible to change If the Partnership is unable to respond successfully to rapid changes in demand or consumer preferences, sales or margins could be adversely affected

2) Product quality and safety
Despite safety measures adopted by the Partnership, products could become contaminated or not meet quality or safety standards The Partnership uses many ingredients in manufacturing confectionery which increases the risk of either accidental or malicious contamination Any contamination or failure to meet quality and safety standards may be expensive to remedy, could cause delays in manufacturing and may have adverse effects

3) Dependence on business partners
An increasing proportion of the Partnership's functions are outsourced to third parties Failure of the third parties to deliver on their contractual obligations or failure of the Partnership to manage them effectively could lead to adverse effects

4) Information technology
The Partnership depends on accurate, timely information and numerical data from key software applications to aid day-to-day decision-making Any disruption caused by failings in these systems could delay or otherwise impact day-to-day decision-making, or cause material financial losses

5) Raw materials
The Partnership depends upon the availability, quality and cost of raw materials from around the world, which exposes it to price and supply fluctuation Key items such as cocoa, milk, sweeteners, packaging materials and energy are subject to potentially significant fluctuations While measures are taken to protect against the short-term impact of these fluctuations, there can be no assurance that any shortfalls will be recovered A failure to recover higher costs or shortfalls in availability or quality could decrease the profitability of the Partnership

6) Role of food in public health
Many countries face rising obesity levels due to an imbalance between energy consumed via food and expended through activity The reasons for the changes in society and for some individuals having a greater inclination to obesity are multifaceted and complex There are risks associated with the possibility of government action against the food industry, such as levying additional taxes on or restricting the advertising of certain product types This could increase the tax burden or make it harder for the Partnership to market products, reducing sales and/or profits

Report of the Management Committee year ended 31 December 2010 (continued)

Outlook for 2011 and Future Prospects

Looking ahead to 2011, the Partnership is confident that the business has strong foundations and that it operates in categories that have historically proved resilient to economic downturns The strong momentum coming into the year should help to drive continued revenue growth, while the progression of initiatives in place to improve efficiency and manage costs will help to sustain profitability levels

Following the acquisition of Cadbury plc by Kraft Foods Inc on 2nd February 2010, the change of control may have an impact on the measurement criteria applied to certain of the Partnership's assets and liabilities There is however no consequential impact on the financial statements for the year ended 31 December 2010

Investments

During the year, the Partnership was party to no capital transactions

Results and dividends

The profit available for distribution for the financial year was £194,197,000 (2009 £118,399,000)

The profit of £194,197,000 has been added to the partners' capital (2009 £118,399,000 added to the partners' capital) in accordance with the terms of the Partnership Agreement

Provision of information to auditors

Each of the persons who is a member of the Management Committee at the date of approval of this report confirms that

(1) so far as the member of the Management Committee is aware, there is no relevant audit information of which the Partnership's auditors are unaware, and

(2) the member of the Management Committee has taken all the steps that he/she ought to have taken as a member of the Management Committee in order to make himself/herself aware of any relevant audit information and to establish that the Partnership's auditors are aware of that information

During the year Deloitte LLP resigned as auditors to the Partnership, and the directors have appointed PricewaterhouseCoopers LLP

Management Committee

The Management Committee at the date of this report are as stated on page 1 The Management Committee of the Partnership who were in office during the year and up to the date of signing the financial statements were

T Bond (resigned 1st October 2010)
G Chick (resigned 1st October 2010)
R Doyle
D Harding-Smith
S Hosaki (resigned 18th June 2010)
D J Pogson
P J Rumbol (resigned 30th July 2010)
W Strickland (resigned 1st October 2010)

Cadbury UK

Report of the Management Committee year ended 31 December 2010 (continued)

Fixed assets

As a result of planned IT system changes in 2011, certain IT assets have been impaired during 2010 resulting in an impairment charge of £3,186,000 which has been recognised in the Profit and Loss Account

Following the acquisition of Cadbury plc by Kraft Foods Inc the expected useful lives of all assets were changed to align them to Kraft Foods policy This change in accounting estimate resulted in a £1,500,000 higher depreciation charge in 2010

Disabled employees

Although they are employed by Cadbury Trebor Bassett Services Limited and Cadbury UK Limited, the Partnership bears the cost of employment of a number of people who are disabled, not all of whom are formally registered disabled persons in UK terms If an employee becomes disabled it is standard practice, in all but the most extreme circumstances, to offer an alternative job and provide retraining where necessary The Partnership gives full and fair consideration (having regard to the persons' particular aptitudes and abilities) to applications for employment that disabled persons (as defined in the Disability Discrimination Act 1995) make to the Partnership The Partnership provides for the training, career development and supports promotion of those disabled persons the Partnership employs

Employee involvement

The policy of informing and consulting with employees has continued by means of regular newsletters and employees are encouraged to present their views and suggestions in respect of the Partnership's performance

Financial instruments

The Partnership is exposed to financial risks arising from its business

a) Liquidity risk

The Partnership achieves certainty of funding by operating a flexible borrowing mechanism with Kraft Foods Inc

Kraft Foods Inc seeks to achieve a balance between certainty of funding and a flexible, cost-effective borrowings structure Consequently the policy seeks to ensure that all projected net borrowing needs are covered by committed facilities

b) Interest rate risk

The Partnership has an exposure to interest rate fluctuations on its borrowings with Kraft Foods Inc and on certain finance leases

Cadbury UK

Report of the Management Committee year ended 31 December 2010 (continued)

c) Currency risk

The Partnership has transactional currency exposures arising from its international trade Kraft Foods Inc uses forward foreign exchange markets to manage its exposures on a Group basis Kraft Foods Inc 's policy is to take forward cover for all forecast receipts and payments for as far ahead as the pricing structures are committed, subject to a minimum of three months' cover

d) Credit risk

The Partnership's trade receivables are concentrated with a small number of large customers, however management believe that credit risk is limited as these customers have high credit ratings Management therefore believe that there is no further credit risk provision require in excess of normal provision for doubtful receivables

e) Commodity risk

The Partnership has commodity movement exposures arising from its international trade Through Kraft Foods Inc , the Partnership makes use of derivative contracts for cocoa in order to provide a stable cost base for marketing finished products

Charitable and Political Contributions

During the year, the Partnership made charitable contributions of £633,000 (2009 £665,000) to a number of charities as part of its community programme The Partnership made no political contributions during the year (2009 £nil)

Principal office

Cadbury House
Sanderson Road
Uxbridge
Middlesex
UB8 1DH

On behalf of the Management Committee,

D Harding-Smith
Member of the Management Committee
9 June 2011

Cadbury UK

Statement of Management Committees' Responsibilities in Relation to Financial Statements
Year ended 31 December 2010

The members are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law as applied to qualifying Partnerships by the Partnerships (Accounts) Regulations 2008 (the "Regulations") requires the members to prepare financial statements for each financial year Under that law the members have prepared the Partnership financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law Under company law as applied to qualifying Partnerships the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period In preparing these financial statements, the members are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Partnership and group will continue in business

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to qualifying Partnerships by the Regulations They are also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The members are responsible for the maintenance and integrity of the Partnership's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Cadbury UK

Independent auditors' report to the members of the Cadbury UK Qualifying Partnership

We have audited the financial statements of Cadbury UK for the year ended 31 December 2010 which comprise the Profit and loss account, the Balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of members and auditors
As explained more fully in the Statement of Management Committee's Responsibilities set out on page 7, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the members of the qualifying Partnership as a body in accordance with the Companies Act 2006 as applied to qualifying Partnerships by the Partnerships (Accounts) Regulations 2008 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the qualifying Partnership's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the members, and the overall presentation of the financial statements

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the qualifying Partnership's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying Partnerships by The Partnerships (Accounts) Regulations 2008

Independent auditors' report to the members of the Cadbury UK Qualifying Partnership (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to qualifying Partnerships requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of members' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Charles Bowman

Charles Bowman
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
1 Embankment Place, London WC2N 6RH
Chartered Accountants and Statutory Auditors

13 June 2011

Cadbury UK

Profit and loss account
for the year ended 31 December 2010

	Note	**2010**	2009
		£'000	£'000
Turnover	3	**1,389,700**	1,307,893
Cost of sales		**(875,491)**	(843,069)
Gross profit		**514,209**	464,824
Operating expenses	4	**(314,117)**	(341,824)
Operating profit		**200,092**	123,000
(Loss)/profit on disposal of tangible fixed assets		**(4,929)**	1,243
Profit before interest		**195,163**	124,243
Interest receivable and similar income	5	**549**	1,926
Interest payable and similar charges	6	**(1,515)**	(7,770)
Profit available for distribution	7	**194,197**	118,399
Distribution of profit to partners	11	**(194,197)**	(118,399)
Result for the financial year		**-**	-

There are no recognised gains or losses in either year other than the profit available for distribution for each year and therefore no statement of total recognised gains and losses is required

All activity is derived from continuing operations throughout both years

There is no material difference between the result as disclosed in the profit and loss account and the result on a historical cost basis

The accompanying notes form an integral part of this profit and loss account

Cadbury UK

Balance sheet
as at 31 December 2010

	Note	2010	2009
		£'000	£'000
Fixed assets			
Intangible assets	12	**89,206**	95,125
Tangible assets	13	**268,589**	277,000
		357,795	372,125
Current assets			
Stocks	14	**168,090**	178,667
Debtors	15	**437,846**	185,826
Cash at bank and in hand		**15,455**	11,357
		621,391	375,850
Creditors. amounts falling due within one year	16	**(341,111)**	(277,844)
Net current assets		**280,280**	98,006
Total assets less current liabilities		**638,075**	470,131
Creditors amounts falling due after more than one year	17	**(464)**	(848)
Provisions for liabilities	18	**(22,102)**	(52,149)
Net assets		**615,509**	417,134
Capital and reserves			
Partners' capital	20	**615,509**	417,134
Partnership funds		**615,509**	417,134

The accompanying notes form an integral part of this Balance sheet

The financial statements of Cadbury UK on pages 10 to 34 were approved by the Management Committee and authorised for issue on 25th May 2011

Signed on behalf of the Partnership

D Harding-Smith
Member of the Management Committee
9 June 2011

Notes to the financial statements for the year ended 31 December 2010

1 Accounting policies

The principal accounting policies are summarised below They have been applied consistently throughout the year and the preceding year

a) Accounting convention

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom The principal accounting policies, which have been applied consistently throughout the year, are set out below

b) Partnership Agreement

Since the formation of the Partnership in 2000, all the Companies have traded exclusively for, and on behalf of, the Partnership The terms of the Partnership agreement affords the profits of the Partnership to be distributed between the Partners in accordance with the wishes of the Management Committee

Under the terms of the Partnership agreement, the beneficial interest of all assets and liabilities used in the business of the Partners was transferred to the Partnership on 31 December 2000 Accordingly, these assets are now disclosed in the financial statements of Cadbury UK

These financial statements should be read in conjunction with the financial statements of the Partners, which do not form part of these financial statements

c) Foreign Currency

Transactions denominated in foreign currencies are translated into sterling at the actual rate prevailing at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the year end are translated at the middle market rates at the balance sheet date Any exchange differences are taken to the profit and loss account as they arise

d) Sales

This represents the invoiced value of sales (net of trade discounts, sales incentives, upfront payments, slotting fees and other non-discretionary payments) and royalties, excluding value added tax and sales taxes Revenue is recognised when persuasive evidence of an arrangement with a customer exists, delivery has occurred, the price is fixed or determinable and collection of the amount due is reasonably assured

e) Research and development

Expenditure on research and development is charged to the profit and loss account as incurred

f) Goodwill and Intangible Fixed Assets

Purchased goodwill and intellectual property is capitalised in the year in which it arises and amortised over its useful economic life, up to a maximum of 20 years

1 Accounting policies (continued)

g) Tangible Assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use Depreciation is charged (excluding freehold land and assets in the 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 Following the acquisition of Cadbury plc by Kraft Foods Inc the expected useful lives of all assets were changed to align them to Kraft Foods Inc policy This change in accounting estimate resulted in a £1,500,000 higher depreciation charge in 2010 The principal rates are as follows

	2010	2009
Freehold land and buildings	**2.5%**	2 5%
Plant, machinery and equipment	**5%-20%**	7%-33%
Land is not depreciated		

Assets in the course of construction are not depreciated until they are available for use An asset is considered to be available for use when it is in the location and condition necessary for it to be capable of operating in the manner intended by management Once constructed and ready for use assets are transferred from assets in the course of construction to the appropriate asset category

h) Fixed Assets Held under Leases

Where assets are financed by leasing arrangements 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 obligations 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 on a straight line basis over the lease term wholly to the profit and loss account in the year in which they are incurred, even if payments are not made on such a basis

i) Stocks and Work in Progress

Stocks and work in progress are valued at the lower of cost and estimated net realisable value Cost is purchase price, or production cost in the case of the products manufactured by the Partnership Production cost consists of direct material and labour costs together with a reasonable proportion of factory overheads, including depreciation, on the basis of normal levels of activity Provision is made for obsolete, slow moving or defective items where appropriate

j) Cash flow statement

In accordance with the provision of Financial Reporting Standard Number 1 (revised in 1996), the Partnership has not prepared a cash flow statement because its parent company, Kraft Foods Inc has prepared consolidated financial statements which include the financial statements of the Partnership for the period and which are publicly available

1 Accounting policies (continued)

k) Pension Costs and Other Post Retirement Benefits

The Partnership accounts for pensions and post retirement benefits in accordance with Financial Reporting Standard 17

The Partnership operates a defined contribution pension scheme The assets of the scheme are held separately from those of the Partnership in an independently administered fund The pension cost charge disclosed in note 8 represents contributions payable by the Partnership to the fund

The Partnership participates in a UK defined benefit retirement scheme Due to the impact of past Group restructuring and transfers of pension scheme members between Group companies, the Partnership is unable to identify its share of the assets and liabilities in the scheme on a consistent and reasonable basis Therefore the Partnership has applied the provisions of Financial Reporting Standard 17 to account for defined benefit schemes as if they were defined contribution schemes and recognises only the contributions payable each year

l) Financial Instruments

The Partnership uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements The Partnership does not hold or issue derivative financial instruments for speculative purposes Kraft Foods Inc uses forward foreign exchange markets to manage its exposures on a Group basis Financial instruments are held and managed by a fellow subsidiary of Kraft Foods, Inc

To qualify as a hedge, a financial instrument must be related to actual assets or liabilities or to a firm commitment or anticipated transaction Gains and losses on hedges of existing assets or liabilities are included in the carrying amounts of those assets or liabilities and are ultimately recognised in the profit and loss account as part of those carrying amounts Gains and losses on qualifying hedges of firm commitments or anticipated transactions are also deferred and are recognised in the profit and loss account or as adjustments of carrying amounts when the hedged transaction occurs

Gains and losses on financial instruments that do not qualify as hedges are recognised as other income or expense If a financial instrument ceases to be a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any gains or losses are recognised as other income or expense

m) Government Grants

Revenue grants are credited to the profit and loss account Capital grants are amortised over the estimated lives of the qualifying assets

n) Treasury Risk Management

The principal activity of the Partnership is the manufacture, marketing and sale of chocolate and sugar confectionery products to wholesale and retail outlets in the UK The Partnership's financial instruments comprise borrowings, loans, cash, other debtors and other creditors No trading in financial instruments was undertaken by the Partnership during the period under review

The main risks arising from the Partnership's financial instruments are liquidity risk, interest rate risk, currency risk and credit risk Details of treasury risk management are outlined in the Report of the Management Committee

1 Accounting policies (continued)

o) Share based payments

The Partnership has opted for full retrospective adoption of Financial Reporting Standard 20 "Share-based payments" Prior to its acquisition by Kraft Foods Inc , Cadbury plc issued equity settled share-based payments to certain Partnership employees Following the change in ownership Kraft Foods Inc issues equity settled share-based payments to certain Partnership employees

A fair value for the equity settled share awards is measured at the date of the grant Management measures the fair value using the valuation technique that they consider to be the most appropriate to value each class of award Methods used include Binomial models, Black-Scholes calculations and Monte Carlo simulations The valuations take into account factors such as non-transferability, exercise restrictions and behavioural considerations An expense is recognised to spread the fair value of the each award over the vesting period on a straight-line basis, after allowing for an estimate of the share awards that will eventually vest The estimate of the level of vesting is reviewed at least annually, with any impact on the cumulative charge being recognised immediately

2 Annual Financial Statements

The annual financial statements were drawn up on a calendar year basis to 31 December 2010

The profit and loss account covers the periods from 1 January 2010 to 31 December 2010 (2010) and 1 January 2009 to 31 December 2009 (2009) The balance sheets for 2010 and 2009 have been drawn up at 31 December 2010 and 31 December 2009 respectively

3 Turnover and Operating Profit

Turnover and profits principally arose from the manufacture, marketing and sale of confectionery products within the United Kingdom, and entirely from the Partnership's continuing operations

4 Operating Expenses

	2010	2009
	£'000	£'000
Distribution costs, including marketing	**191,556**	188,101
Administrative expenses	**122,561**	153,723
	314,117	341,824

Administrative expenses above include £20,948,000 (2009 £22,487,000) in respect of the cost of business reconfiguration and rationalisation These costs are not fundamental restructuring costs as defined in Financial Reporting Standard Number 3 "Reporting Financial Reporting" and have therefore not been shown separately on the face of the Profit and loss account

Cadbury UK

Notes to the financial statements for the year ended 31 December 2010 (continued)

5 Interest receivable and similar income

	2010	2009
	£'000	£'000
Interest receivable on external loans and deposits	376	334
Interest receivable on inter-company loans	173	1,592
	549	1,926

6 Interest payable and similar charges

	2010	2009
	£'000	£'000
Interest payable on overdrafts and bank loans	150	77
Finance lease interest	269	195
Unwind of provision discount	874	1,614
Interest payable on inter-company loans	222	5,884
	1,515	7,770

Interest was paid on inter-company loans during 2010 which form part of a Group funding facility, and are disclosed as part of the net inter-company debtor at the end of the year

Notes to the financial statements for the year ended 31 December 2010 (continued)

7 Profit available for distribution

Profit available for distribution is stated after charging/(crediting)

	2010	2009
	£'000	£'000
Depreciation on owned assets	38,606	38,774
Depreciation on assets held under finance leases	2,292	5,428
Impairment of assets	3,186	-
Amortisation of goodwill	5,709	5,709
Amortisation of intellectual property	210	209
Operating lease rentals - plant and machinery	4,129	4,073
Operating lease rentals - other	7,127	7,283
Grant release	13	13
Loss / (profit) on disposal of tangible fixed assets	4,929	(1,243)
Fees payable to the Partnership's auditors - fees payable for the audit of the Partnership's financial statements	250	336

In 2010 the loss on disposal of fixed assets below operating profit of £4,929,000 arose largely from the disposal of assets at the Somerdale plant as part of the planned programme of closure In 2009 the profit on disposal below operating profit largely relates to a net gain of £1,500,000 from a pension curtailment gain arising from the disposal of the Monkhill business

8 Pension Arrangements

The Partnership participates in a defined contribution pension scheme During 2010 the cost to the Partnership was £12,000 (2009 £nil) There were no outstanding or prepaid contributions at the balance sheet date

The Partnership also participates in UK pension schemes for UK Cadbury companies The UK pension plans are administered and funded on a UK basis, with contributions fixed based on the position of the overall fund Due to the impact of past Group restructuring and transfers of pension scheme members between Group companies, the Partnership is unable to identify its share of the assets and liabilities in the scheme on a consistent and reasonable basis Consequently, the Partnership has accounted for its contributions to the scheme as if it were a defined contribution scheme

The total pension cost of the Partnership, borne on behalf of the partners, was £30,667,000 (2009 £27,677,000), which, together with the pension costs of other subsidiaries in the group schemes, was assessed by qualified actuaries based on the latest actuarial assessment

8 Pension Arrangements (continued)

The net pension liability is as follows

	2010	2009
	£'m	£'m
Present value of funded obligations	**(2,255)**	(2,118)
Present value of unfunded obligations	**(18)**	(18)
Fair value of scheme assets	**2,009**	1,869
	(264)	(267)

Changes in the present value of the defined benefit scheme obligation are as follows

	2010	2009
	£'m	£'m
Opening defined benefit obligation	**2,136**	1,780
Current service cost	**39**	28
Past service cost	**(30)**	-
Interest on scheme liabilities	**120**	108
Actuarial loss	**108**	309
Benefits paid	**(100)**	(89)
Closing defined benefit obligation	**2,273**	2,136

Cadbury UK

Notes to the financial statements for the year ended 31 December 2010 (continued)

8 Pension Arrangements (continued)

Changes in the fair value of scheme assets are as follows

	2010	2009
	£'m	£'m
Opening fair value of scheme assets	**1,869**	1,779
Expected return on scheme assets	**126**	112
Contributions by employer	**38**	32
Actuarial gain	**76**	35
Benefits paid	**(100)**	(89)
Closing fair value of scheme assets	**2,009**	1,869

The fair value of the major categories of scheme assets and the expected rate of return at the balance sheet date are as follows

	Expected return		**Fair value of assets**	
	2010	2009	**2010**	2009
	%	%	**£'m**	£'m
Equities	**8.20**	8 50	**883**	859
Debt	**4.56**	4 90	**603**	468
Property	**7.40**	7 50	**121**	91
Other	**5 49**	5 58	**402**	451
Fair value of scheme assets			**2,009**	1,869

The Scheme assets do not include any of the Partnership's own financial instruments, or any property occupied by the Partnership

The expected return on assets is determined by considering the expected returns available on the assets underlying the current investment portfolio Expected returns on equity investments reflect a 10 year median return For bonds the expected yield has been calculated based on the redemption yield

8 Pension Arrangements (continued)

The last full actuarial valuation of the Plan, carried out as at 5 April 2010 by Towers Watson, actuarial consultants to the Plan, has been updated to 31 December 2010 by Towers Watson

The mortality tables used are the PMA80C2007 tables rated down by 2 5 years for males and the PFA80C2007 tables rated down by 1 year for females There is also an allowance for future mortality improvements, which is the standard "medium cohort" projections subject to a minimum rate of improvement of 1% per annum Based on these mortality assumptions, the life expectancy of a member currently aged 60 and the life expectancy of a member aged 60 in 15 years time are as shown in the table below

Life Expectancy	**Males**	**Females**
Current pensioners (age 60)	25 8 years	28 8 years
Future pensioners (age 60 in 15 years)	27 5 years	30 4 years

The principal actuarial assumptions as at the balance sheet date were

	2010	2009
	%	%
Discount rate	**5.50**	5 70
Rate of increase in salaries	**4.25**	4 50
Rate of increase in deferred pensions		
- RPI linked	**3.50**	3 50
- CPI linked	**3.00**	n/a
Inflation	**3.50**	3 50
Rate of increase in pensions in payment	**3.50**	3 30

Cadbury UK

Notes to the financial statements for the year ended 31 December 2010 (continued)

9 Employees

Since the formation of the Partnership on 17 July 2000, employee emoluments were borne by the Partnership although all employees remained employed by the Partners On 6 April 2002, the employment of some employees was transferred to Cadbury Trebor Bassett Services Limited, a fellow Group undertaking All other employees remained employed by Cadbury UK Ltd (one of the partners)

The average number of employees employed by Cadbury Trebor Bassett Services Limited or Cadbury UK Ltd, on behalf of the Partnership was

	2010	2009
Production	**2,632**	2,761
Distribution, selling and marketing	**1,079**	1,075
Administration	**524**	543
	4,235	4,379

Employee emoluments comprised

	2010	2009
	£'000	£'000
Wages and salaries	**181,234**	166,367
Social security costs	**16,637**	15,911
Other pension costs	**30,667**	27,677
	228,538	209,955

Employments costs in 2010 include £nil (2009 £1,850,000) additional pension funding relating to continuing employees Employment costs in 2010 also include £10,291,000 (2009 £3,224,000) of redundancy costs, and £11,268,000 (2009 £3,528,000) in relation to Financial Reporting Standard 20 "Share-based Payments", costs

Notes to the financial statements for the year ended 31 December 2010 (continued)

10 Taxation on profit available for distribution

The Partnership is not subject to UK Corporation Tax Tax on the Partnership profits is accounted for in the relevant Partners' financial statements

11 Distribution of profit to Partners

	2010	2009
	£'000	£'000
Distribution of profit before interest to the Partners		
Cadbury UK Limited	162,277	103,308
Trebor Bassett Limited	31,910	20,314
The Old Leo Company Limited	976	621
	195,163	124,243
Distribution of net interest expense available for distribution to the Partners		
Cadbury UK Limited	(803)	(5,107)
Trebor Bassett Limited	(158)	(705)
The Old Leo Company Limited	(5)	(32)
	(966)	(5,844)
	194,197	118,399

The profit before interest and net interest expense of the Partnership has been distributed to the Partners

Notes to the financial statements for the year ended 31 December 2010 (continued)

12 Intangible assets

	Goodwill	Intellectual property	Total
	£'000	£'000	£'000
Cost			
At 1 January 2010	122,035	4,173	126,208
At 31 December 2010	**122,035**	**4,173**	**126,208**
Accumulated Amortisation			
At 1 January 2010	(30,405)	(678)	(31,083)
Charge for the year	(5,709)	(210)	(5,919)
At 31 December 2010	**(36,114)**	**(888)**	**(37,002)**
Net Book Value			
At 31 December 2010	**85,921**	**3,285**	**89,206**
At 1 January 2010	91,630	3,495	95,125

Purchased goodwill and intellectual property is capitalised in the year in which it arises and amortised over its useful economic life up to a maximum of 20 years

Notes to the financial statements for the year ended 31 December 2010 (continued)

13 Tangible assets

	Freehold land and buildings	Plant, machinery and equipment	Assets in course of construction	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
At 1 January 2010	99,160	687,611	56,087	**842,858**
Additions	4,348	22,906	13,601	**40,855**
Transfers to Group companies	-	(1,091)	-	**(1,091)**
Disposals	-	(59,069)	-	**(59,069)**
At 31 December 2010	103,508	650,357	69,688	**823,553**
At professional valuation	70,710	-	-	**70,710**
At cost	32,798	650,357	69,688	**752,843**
	103,508	**650,357**	**69,688**	**823,553**
Accumulated Depreciation				
At 1 January 2010	(21,323)	(544,535)	-	**(565,858)**
Charge for the year	(1,279)	(39,619)	-	**(40,898)**
Transfers to Group companies	-	838	-	**838**
Disposals	-	54,140	-	**54,140**
Impairments	-	(3,186)	-	**(3,186)**
At 31 December 2010	**(22,602)**	**(532,362)**	**-**	**(554,964)**
Net Book Value				
At 31 December 2010	**80,906**	**117,995**	**69,688**	**268,589**
At 1 January 2010	77,837	143,076	56,087	277,000

Freehold land and buildings include land of £14,170,000 (2009 £14,170,000), which has not been depreciated

Notes to the financial statements for the year ended 31 December 2010 (continued)

13 Tangible assets

Plant and machinery includes vehicles and fixtures and fittings

As a result of planned IT system changes in 2011, certain IT assets have been impaired during 2010 resulting in an impairment charge of £3,186,000 which has been recognised in the Profit and Loss Account

Following the acquisition of Cadbury plc by Kraft Foods Inc the expected useful lives of all assets were changed to align them to Kraft Foods policy This change in accounting estimate resulted in a £1,500,000 higher depreciation charge in 2010

The Partnership has taken advantage of the transitional rules of Financial Reporting Standard Number 15 Certain Partnership properties were revalued to £70,710,000, on an open-market basis by Fuller Peiser as at 20 September 1995, and the revised valuations have been incorporated in the financial statements of the Partners from 30 December 1995

If the revalued assets were stated on an historical cost basis the amounts would be as follows

	2010	2009
	£'000	£'000
Land and buildings at cost	**59,228**	59,228
Accumulated depreciation at 1 January 2010	**(22,994)**	(21,810)
Charge for the year	**(1,184)**	(1,184)
	35,050	36,234

	2010	2009
Included in fixed assets are	**£'000**	£'000
Plant and machinery acquired under finance leases	**198,655**	205,804
Less accumulated depreciation	**(192,292)**	(194,584)
	6,363	11,220

14 Stocks

	2010	2009
	£'000	£'000
Raw materials and consumables	**30,609**	27,935
Work in progress	**22,979**	27,084
Finished goods and goods for resale	**114,502**	123,648
	168,090	178,667

15 Debtors

	2010	2009
	£'000	£'000
Trade debtors	**158,652**	125,360
Amounts owed by fellow subsidiary undertakings	**264,382**	46,821
Other debtors	**3,065**	3,055
Prepayments and accrued income	**11,747**	10,590
	437,846	185,826

Within amounts owed by fellow subsidiary undertakings is £225,000,000 (2009 £20,000,000) which bears interest at market rates with the remaining balance being non interest bearing

Cadbury UK

Notes to the financial statements for the year ended 31 December 2010 (continued)

16 Creditors: amounts falling due within one year

	2010	2009
	£'000	£'000
Current obligation under finance leases	**197**	252
Trade creditors	**95,905**	88,867
Amounts owed to fellow subsidiary undertakings	**74,997**	4,425
Other taxes and social security costs	**32,222**	31,127
Other creditors	**136,544**	131,749
Accruals and deferred income	**1,246**	21,424
	341,111	277,844

Within amounts owed to fellow subsidiary undertakings is £nil (2009 £nil) which bears interest at market rates with the remaining being non interest bearing

17 Creditors: amounts falling due after more than one year

	2010	2009
	£'000	£'000
Obligations under finance leases and hire purchase contracts	**389**	760
Government grants	**75**	88
	464	848

18 Provisions for liabilities

	Reconfiguration Provision £'000
At 1 January 2010	52,149
Charged during the year	20,949
Utilised during the year	(50,996)
At 31 December 2010	**22,102**

The reconfiguration provision at 31 December 2010 is expected to be fully utilised within one year

19 Share-based Payments

(a) Cadbury Plc Share Plans

Prior to the acquisition of Cadbury plc by Kraft Foods Inc , Cadbury plc offered share awards to certain employees of the Partnership which were settled using the equity of the ultimate parent company, Cadbury plc The Partnership recognised total expenses of £11,268,000 (2009 £4,786,000) related to these equity and cash-settled share-based payment transactions during the year

The Long Term Incentive Plan (LTIP) was available to Board members and certain senior executives In 2010 no shares were awarded (2009 91,619) Following the acquisition by Kraft Foods Inc the scheme awards were cash settled The charge for the year was £4,320,000 (2009 £202,000)

The Bonus Share Retention Plan (BSRP) was available to Board members and certain senior executives In 2010 no shares were awarded (2009 93,867) Following the acquisition by Kraft Foods Inc the scheme awards were equity settled The charge for the year was £440,000 (2009 £1,809,000)

The Group had an International Share Award Plan (ISAP) which was used to replace share based awards that new employees have forfeited on leaving their previous employer and to reward exceptional performance amongst employees In 2010 no shares were awarded (2009 20,750) Following the acquisition by Kraft Foods Inc the scheme awards were equity settled The charge for the year was £79,000 (2009 £56,000)

The Performance Shares Plan (PSP) was available to certain senior managers In 2010 no shares were awarded (2009 188,800) Following the acquisition by Kraft Foods Inc the scheme awards were equity settled The charge for the year was £821,000 (2009 £827,000)

The Group had a Discretionary Share Option Plans (DSOP) available to certain senior managers and also had a UK share option scheme for all employees of the Partnership ("share save") Options were normally forfeited if the employee left the Group before the options vest Following the acquisition by Kraft Foods Inc the scheme awards were equity settled DSOP and share save plans, details of which are set out below, resulted in a charge of £5,608,000 in 2010 (2009 £1,892,000)

19 Share-based Payments (continued)

The expense was recognised for the change in fair value of the number of shares that were awarded to settle the options from the prior balance sheet date In 2010 the fair value is measured as the cost incurred to settle the share award schemes In 2009 the fair value was measured using the valuation technique that is considered to be the most appropriate to value each class of award these include Binomial models and Black-Scholes calculations These valuations take into account factors such as non-transferability, exercise restrictions and behavioural considerations Key fair value and other assumptions are detailed below

Schemes granted in 2009:

	LTIP £'000	ISAP £'000	Share save £'000
Expected volatility	n/a	n/a	32-34%
Expected life	3 yrs	1–4 yrs	Vesting + 5 months
Risk free rate	2 30%	0 6-2 5%	1 5-2 7%
Expected dividend yield	2 70%	2 2-3 4%	2 1-2 3%
Fair value per option (% of share price at date of grant)	91 40%	85 9-97 8%	39 1-46 1%
Possibility of ceasing employment before vesting	–	–	4-10%
Expectation of meeting performance criteria	100%	100%	n/a

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations

2010 Details of the share option plans are as follows

	Balance outstanding at the beginning of year	Granted	Exercised	Cancelled	Balance outstanding at the end of the year
a	4,834,642	-	3,021,065	1,813,577	-
b	2,287,787	-	1,429,590	858,197	-
c	203,063	-	201,717	1,346	-
d	307,613	-	306,043	1,570	-

19 Share-based Payments (continued)

2009 Details of the share option plans are as follows

	Balance outstanding at the beginning of year	Granted	Exercised	Cancelled	Balance outstanding at the end of the year	Exercise price for options (in £s)	Weighted average exercise price of options (in £s) (i)	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 exerciseable at year end (in £)
a	6,411,487	-	1,285,057	291,788	4,834,642	3 51-5 22	4 3	23 03	-	-
b	1,115,618	1,339,011	2,890	163,952	2,287,787	4 62-5 05	4 80	50 86	-	-
c	665,303	-	462,240	-	203,063	3 69-5 38	4 66	32 47	203,063	4 66
d	987,128	-	583,694	95,821	307,613	4 90-6 34	5 44	59 96	307,613	5 44

a) The Cadbury Schweppes Savings-Related Share Option Scheme 1982 for employees was approved by shareholders in May 1982 These options, granted by Cadbury Schweppes plc prior to 2 May 2008, were normally exercisable within a period not later than 6 months after the repayment date of the relevant, "Save-as-you-Earn" contracts which are for a term of 3, 5 or 7 years

b) The Cadbury plc 2008 Savings Related Share Option Scheme for employees was approved by shareholders in April 2008 These options were normally exercisable within a period not later than 6 months after the repayment date of the relevant, "Save-as-you-Earn" contracts which are for a term of 3, 5 or 7 years

c) The Cadbury Schweppes Share Option Plan 1994 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 were normally exercisable within a period of 7 years commencing 3 years from the date of grant, subject to the satisfaction of certain performance criteria

d) The Cadbury Schweppes Share Option Plan 2004 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 were normally exercisable within a period of 7 years commencing 3 years from the date of grant, subject to the satisfaction of certain performance criteria

(b) Kraft Foods Inc Share Plans

Kraft Foods uses a combination of deferred shares and share options under its Equity Awards Programme which is available to eligible employees (including Directors)

19 Share-based Payments (continued)

Deferred Shares Awards

Under the Equity Awards Programme eligible employees of the Partnership are granted a "Deferred Stock Unit Award" (the "Award") with respect to a number of shares (the "Deferred Shares") of the Common Stock of Kraft Foods Inc The employee stock does not have the right to vote with the Deferred Shares or receive dividends but is entitled to receive cash payments in lieu of dividends otherwise payable The Awards are non transferable and may not be assigned, hypothecated or otherwise pledged Some awards granted to eligible employees have performance criteria attached to them and all schemes have the requirement that the employee remains in employment of the Kraft Foods Inc group from award date to vesting date If an employee moves within the Kraft Foods Inc group then an intra-group reallocation is made and the charge for the Award is time apportioned The Awards generally vest on the third anniversary of the grant date

Movements in the total number of deferred shares and their weighted-average grant date fair values (WAFV) are as follows

	Number of shares	2010 WAFV
Opening balance	-	
Granted	**78,040**	£18 83
Forfeited	**(220)**	£18 83
Closing balance	**77,820**	£18 83

The fair value of deferred stock is determined based on the number of shares granted and the market value at date of grant The total charge for the period relating to employee share-based payments under this plan was £176,000 (2009 £nil), all of which related to equity-settled share-based payment transactions

Executive share option scheme

The Partnership has a share option scheme for eligible employees (including directors) and also issued a one-off additional share option scheme to certain employees in 2010 (including directors) Options are granted at an exercise price equal to the market value of the underlying stock on the date of grant Share options generally become exercisable one-third each year on the first anniversary of the grant date and have a maximum term of ten years The options are settled in equity once exercised

If the options remain unexercised after a period of 10 years from the date of grant, the options expire Options are not transferrable and are forfeited if the employee leaves the Partnership before the options are exercised If an employee moves within the Kraft group then an intra-group re-allocation is made on a time apportioned basis

Notes to the financial statements for the year ended 31 December 2010 (continued)

19 Share-based Payments (continued)

Details of the number of share options and the weighted average exercise price (WAEP) during the period are as follows

	Number of shares	2010 WAEP
Opening balance	-	
New options issued in period	357,220	£19 04
Options cancelled/forfeited	(1,320)	£19 04
Closing balance	355,900	£19 04
Exercisable at the end of the period	-	

Shares have a weighted average remaining life of 2 3 years

In April 2010 options were granted at an exercise price of £19 04 The estimated fair value of the options granted was £2 36 The fair values were calculated by Kraft Foods Inc using a modified Black Scholes methodology

The weighted-average Black-Scholes fair value assumptions were as follows

Risk-free interest rate	2 82%
Expected life	6 years
Expected volatility	19 86%
Expected dividend yield	4 14%
Fair value at grant date	£2 36

The total charge for the period relating to employee share-based payments under these plans was £157,000 (2009 £nil), all of which related to equity-settled share-based payment transactions

20 Partners' Capital

The Partners have transferred certain assets and liabilities to the Partnership in exchange for an interest in the Partnership

	Cadbury UK Limited	Trebor Bassett Limited	The Old Leo Company Ltd	Total
	£'000	£'000	£'000	£'000
At 1 January 2010	207,009	201,782	8,343	417,134
Profit for the year	161,474	31,752	971	194,197
Taxation on profit on ordinary activities	33,342	6,556	201	40,099
Credit to Equity for Share-Based Payments	6,051	1,191	36	7,278
Movement in assets transferred to Partners	(36,228)	(6,755)	(216)	(43,199)
At 31 December 2010	**371,648**	**234,526**	**9,335**	**615,509**

21 Commitments for Capital Expenditure

	2010	2009
	£'000	£'000
Commitments for capital expenditure are as follows		
Contracted for but not provided in the financial statements	**1,369**	2,656

22 Commitments under Finance Leases

	2010	2009
	£'000	£'000
Within one year	**197**	252
One to two years	**389**	197
Two to five years	-	419
More than five years	-	144
	586	1,012

Notes to the financial statements for the year ended 31 December 2010 (continued)

23 Commitments under Operating Leases

	2010 Land and buildings	Other	2009 Land and buildings	Other
	£'000	**£'000**	£'000	£'000
Expiry Date				
Within one year	-	364	-	1,003
Two to five years	151	1,821	268	1,618
More than five years	6,976	-	7,015	-
	7,127	**2,185**	**7,283**	**2,621**

24 Contingent Liabilities

Guarantees have been given to the Partnership's bankers totalling £3,076,000 (2009 £3,076,000)

25 Related Party Transactions

The Partnership has taken advantage of the exemption under the rules of Financial Reporting Standard Number 8 – 'Related party disclosures' not to disclose related party transactions with other Kraft Foods Inc Group companies controlled by the ultimate parent company, Kraft Foods Inc as the consolidated financial statements of the ultimate parent company are publicly available

26 Post Balance Sheet Events

There have been no significant post balance sheet events

27 Ultimate parent company

During 2009 the Partnership's controlling and ultimate parent undertaking was Cadbury plc On 2 February 2010, Kraft Foods Inc acquired Cadbury plc Following this change of control the Partnership's ultimate parent undertaking is Kraft Foods Inc whose registered address is Three Lakes Drive, Northfield, Illinois 60093, US