

Registered number: 00155256

Cadbury UK Limited
Financial statements
For the year ended 31 December 2017



Contents

	Page
Strategic report	1
Directors' report	2 - 4
Independent auditors' report to the members	5 - 7
Statement of comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Notes to the financial statements	11 - 26

Cadbury UK Limited

Strategic report
For the year ended 31 December 2017

The directors have pleasure in presenting their Strategic report for the year ended 31 December 2017.

Principal activities and business review

The principal activity of the company during the year was that of a trademark owner. The company receives royalty income and incurs research and development costs, relating to these trademarks, from fellow Mondelez group subsidiaries. The company is also an employer of production employees and makes a recharge for their services to Mondelez UK Confectionery Production Limited.

The company is a private company limited by shares and is incorporated in England. The address of its registered office is PO Box 12, Bournville Lane, Bournville, Birmingham, B30 2LU.

Due to the straightforward nature of the business the company's directors are of the opinion that a detailed analysis using additional key performance indicators is not necessary for an understanding of the development, performance or position of the business.

Results and dividends

The profit for the financial year, after taxation, amounted to £24,465,000 (2016 - £29,287,000), and the company had net assets of £84,114,000 (2016 - £359,649,000).

During the year cash dividends of £300,000,000 were paid (2016 - £NIL). The directors do not recommend the payment of any further dividends.

Principal risks and uncertainties

As the company provides services to Mondelez UK Confectionery Production Limited and ultimately Mondelez Europe GmbH it has limited exposure to price risk, credit risk, liquidity risk and cash flow risk. The key risk and uncertainty affecting the company relates to variable interest rates, however as these terms are in relation to intercompany loans the risk is considered to be manageable through internal processes should there be a significant adverse variance. Other risks are not considered to be material for the assessment of the assets, liabilities and financial position of the company.

As a subsidiary of Mondelez International Inc. the directors also consider the business risk and uncertainties to be minimal and these are further detailed in the financial statements of the ultimate parent company, which are publicly available.

This report was approved by the board of directors on 6 September 2018 and signed on behalf of the board by:



C N Keene
Director

Directors' report
For the year ended 31 December 2017

The directors present their report and the audited financial statements of the company for the year ended 31 December 2017.

Directors

The directors who served the company during the year and to the date of the financial statements being approved unless otherwise stated were as follows:

S R Bell (resigned 31 March 2017)
M J Hernandez (appointed 1 March 2018)
R A Hobman (appointed 1 March 2018)
C N Keene
J B Vickery (appointed 1 April 2017)

Results and dividends

Particulars of results and dividends are detailed in the strategic report.

Future developments

The company will continue to develop its existing activities in accordance with the requirements of the group.

Going concern

On the basis of the current financial projection and facilities available to the company, and with due regard to the company's principal activities during 2017 and its position within the group, the directors, after making enquiries, have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they consider it appropriate to continue to adopt the going concern basis in preparing the annual report and financial statements.

Employment of disabled persons

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

It is the company's policy to ensure that no employee or job applicant is treated less favourably than another on the grounds of religion, sexual orientation, disability, race, creed, colour, nationality, ethnic or national origins, sex or marital status.

The company recognises the need to create and support a flexible working environment, incorporating where possible, family friendly policies.

The company believes in and supports the development of a working environment which encourages employee involvement in the business. Information about the company and its business is provided to all employees on matters likely to be of concern to them in team briefings, a company newsletter, an annual report and by other communications. Consultative committees and other employee groups regularly receive information about the business.

Joint consultative committees discuss safety and pension matters. Particular issues are considered and dealt with by elected consultative working parties.

Directors' report (continued)
For the year ended 31 December 2017

Financial risk management

Particulars of risk are detailed in the Strategic report.

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 22 to the financial statements.

Qualifying indemnity provisions

Qualifying third party indemnity provisions and pension plan indemnity provisions are in force for the company's directors as of the date of this report and were in force for the duration of 2017.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors 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 company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Director Confirmations

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

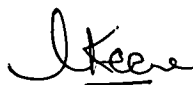
Cadbury UK Limited

Directors' report (continued)
For the year ended 31 December 2017

Independent Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the forthcoming Annual General Meeting.

This report was approved by the board of directors on 6 September 2018 and signed on behalf of the board by:



C N Keene
Director

Independent auditors' report to the members of Cadbury UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Cadbury UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Financial statements ("the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Cadbury UK Limited

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

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Nicholas Stevenson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCooper LLP
Chartered Accountants and Statutory Auditors
Birmingham

Date: 14 September 2018

Cadbury UK Limited

**Statement of comprehensive income
For the year ended 31 December 2017**

	Note	2017 £000	2016 £000
Turnover	4	121,731	106,199
Cost of sales		(41,177)	(40,913)
Gross profit		80,554	65,286
Administrative expenses		(58,325)	(55,612)
Other operating income		399	8,852
Operating profit	5	22,628	18,526
Income from fixed assets investments		-	9,688
Interest receivable and similar income	7	2,708	3,324
Interest payable and similar charges	8	(2)	(2)
Profit before taxation		25,334	31,536
Tax on profit on ordinary activities	9	(869)	(2,249)
Profit for the financial year		24,465	29,287

There was no other comprehensive income for the financial year (2016 - £NIL).

All activities of the company are from continuing operations.

The notes on pages 11 to 26 form part of these financial statements.

Statement of financial position
As at 31 December 2017

	Note	2017 £000	2016 £000
Fixed assets			
Intangible assets	11	5,929	6,368
Tangible assets	12	117	122
Investments in subsidiary and associated undertakings	13	3	3
		<u>6,049</u>	<u>6,493</u>
Current assets			
Debtors	14	145,955	399,141
		<u>145,955</u>	<u>399,141</u>
Creditors: amounts falling due within one year	15	(64,411)	(43,347)
		<u>(64,411)</u>	<u>(43,347)</u>
Net current assets		<u>81,544</u>	<u>355,794</u>
Total assets less current liabilities		<u>87,593</u>	<u>362,287</u>
Provisions for liabilities	17	(3,479)	(2,638)
		<u>(3,479)</u>	<u>(2,638)</u>
Net assets		<u><u>84,114</u></u>	<u><u>359,649</u></u>
Capital and reserves			
Called up share capital	19	49,675	49,675
Profit and loss account		<u>34,439</u>	<u>309,974</u>
Total shareholders' funds		<u><u>84,114</u></u>	<u><u>359,649</u></u>

These financial statements were approved by the board of directors and authorised for issue on 6 September 2018 and are signed on behalf of the board by:



C N Keene
Director

The notes on pages 11 to 26 form part of these financial statements.

Cadbury UK Limited

**Statement of changes in equity
For the year ended 31 December 2017**

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2016	49,675	280,687	330,362
Profit for the financial year	-	29,287	29,287
Total comprehensive income for the year	-	29,287	29,287
At 1 January 2017	49,675	309,974	359,649
Profit for the financial year	-	24,465	24,465
Total comprehensive income for the year	-	24,465	24,465
Dividends paid and payable (see note 10)	-	(300,000)	(300,000)
Total investments by and distributions to owners	-	(300,000)	(300,000)
At 31 December 2017	49,675	34,439	84,114

The notes on pages 11 to 26 form part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2017

1. Statement of compliance

These financial statements have been prepared in compliance with United Kingdom Accounting Standards including FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland', and the Companies Act 2006.

2. Accounting policies

2.1 Basis of preparation of financial statements

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) The requirement to prepare a statement of cash flows (Section 7 of FRS 102 and para 3.17(d)).
- (b) Reduced financial instrument disclosures (FRS 102 paras 11.39 - 11.48A, 12.26 - 12.29).
- (c) The non disclosure of key management personnel compensation in total (FRS 102 para 33.7).

This information is included in the consolidated financial statements of Mondelez International Inc., as at 31 December 2017.

2.3 Consolidation

The company is a wholly-owned subsidiary of Mondelez International Inc., and is included in the financial statements of Mondelez International Inc., which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of Section 401 of the Companies Act 2006.

2.4 Related party transactions

The company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned (FRS 102 paragraph 33.1A).

2.5 Revenue recognition

The turnover shown in the Statement of comprehensive income represents amounts invoiced and accrued in respect of royalties due from, and the recharge for the provision of employment services to, fellow subsidiary companies in the Mondelez group of companies during the year. Royalties are recognised when the service that has led to the royalty being charged has been provided, the customer has accepted the charges in accordance with the sales contract, the acceptance provisions have lapsed or the company has objective evidence that all criteria for acceptance have been satisfied.

Notes to the financial statements
For the year ended 31 December 2017

2. Accounting policies (continued)

2.6 Current and deferred taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

(ii) Deferred tax

Deferred tax arises from timing differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

2.7 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Notes to the financial statements
For the year ended 31 December 2017

2. Accounting policies (continued)

2.8 Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses.

Intangible assets acquired as part of a business combination are recorded at the fair value at the acquisition date.

Amortisation

For the intellectual property created on acquisition of the Cadbury business in 2011, the directors considered the useful life to be 20 years at that time. This calculation reflected the importance of the Cadbury brand in terms of the overall group business, taking into account the book value of the net assets at that point in time, and the expected value to the business of the reliance on and use of the brand for the foreseeable future.

There have been no significant business changes in the intervening period to conclude that this useful life has materially changed. It is expected that the intellectual property generated as a result of the purchase of the Cadbury brand will remain in use and of value for at least the remaining useful economic life. The Cadbury brand and associated revenue streams remain core to the overall business, and this is not expected to change before June 2031 when the current useful economic life expires.

Intellectual Property	-	20 years
-----------------------	---	----------

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

2.9 Tangible assets

Tangible fixed assets are stated at historical cost less accumulated depreciation. 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

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Land and buildings	-	40 years
Plant and Machinery	-	3 - 20 years

Capital work in progress and freehold land are not depreciated.

2.10 Investments in subsidiary and associated undertakings

Investments in subsidiary and associated undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

2.11 Provisions for liabilities

Provisions are recognised where there is a legal or constructive obligation to transfer economic benefits as a result of a past event. The effect of the time value of money on the provisions are not discounted unless material.

Notes to the financial statements
For the year ended 31 December 2017

2. Accounting policies (continued)

2.12 Foreign currency translation

(i) Functional and presentation currency

The company's functional and presentation currency is the Pound Sterling.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

2.13 Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in the Statement of comprehensive income in the period in which it arises.

(iii) Multi-employer pension plan

The company is a member of a multi-employer pension plan, the Cadbury Mondelez Pension Fund. As it is not possible for the participating companies to obtain sufficient information to enable them to account for the plan as a defined benefit plan, they account for the plan as a defined contribution plan. Mondelez UK Holdings & Services Limited, as the sponsoring employer, accounts for the whole plan within its financial statements as a defined benefit plan.

Contributions to the plan are charged to the Statement of comprehensive income in the financial year to which they relate.

Notes to the financial statements
For the year ended 31 December 2017

2. Accounting policies (continued)

2.14 Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of comprehensive income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measure at amortised cost.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

2.15 Other operating income

Other operating income relates to operating contributions received from group undertakings.

2.16 Dividends

Dividend income received in the form of in specie assets other than cash is recognised in reserves. Dividend income received in the form of cash is recognised in the Statement of comprehensive income. All dividend expense is recognised in reserves.

2.17 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

Notes to the financial statements
For the year ended 31 December 2017

3. Critical accounting judgements and estimate uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the group's accounting policies

(i) Multi-employer defined benefit pension plan

Certain employees participate in a multi-employer defined benefit pension plan with other companies in the region. In the judgement of the directors, the company does not have sufficient information on the plan assets and liabilities to be able to reliably account for its share of the defined benefit obligation and plan assets. Therefore the plan is accounted for as a defined contribution plan, see note 18 for further details.

(b) Key accounting estimates and assumptions

(i) Provisions for liabilities (note 17 to the financial statements)

Provisions include organisational restructuring and an amount related to two properties which has been calculated to cover the difference between the unavoidable costs of meeting the obligations under the contract less the economic benefits that are expected to be received under it. The provision is recognised as there is a legal or constructive obligation to transfer economic benefits as a result of a previous event.

(ii) Intellectual property

For the intellectual property created on acquisition of the Cadbury business in 2011, the directors considered the useful life to be 20 years at that time. This calculation reflected the importance of the Cadbury brand in terms of the overall group business, taking into account the book value of the net assets at that point in time, and the expected value to the business of the reliance on and use of the brand for the foreseeable future.

There have been no significant business changes in the intervening period to conclude that this useful life has materially changed. It is expected that the intellectual property generated as a result of the purchase of the Cadbury brand will remain in use and of value for at least the remaining useful economic life. The Cadbury brand and associated revenue streams remain core to the overall business, and this is not expected to change before June 2031 when the current useful economic life expires.

(iii) Deferred tax

The recognition of deferred tax assets involves making an assessment as to whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. Recognition therefore involves an estimate as to the future financial performance of the legal entity or tax group in which the deferred tax asset has been recognised. Deferred tax assets have been recognised during 2017 due to changes in the tax loss utilisation legislation. Previously those were not recognised as management had no expectation of reversal in the foreseeable future due to the availability of group tax losses.

Notes to the financial statements
For the year ended 31 December 2017

4. Turnover

Turnover arises from:

	2017 £000	2016 £000
Royalty income	72,664	67,212
Recharges made for the provision of employment services	49,067	38,987
	<u>121,731</u>	<u>106,199</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2017 £000	2016 £000
Depreciation of tangible fixed assets	5	4
Amortisation of intangible assets	439	438
Staff costs (note 6)	53,070	56,570
Other operating lease rentals	<u>3,183</u>	<u>4,358</u>

Audit fees for the company are borne on behalf of the UK group by a fellow subsidiary undertaking and not separately recharged to the company. An estimated allocation of the audit fee for the year is £33,000 (2016 - £33,000) and includes audit related services in relation to reporting to the entity's ultimate parent company. There were no non-audit fees paid to the company's auditors in either year.

6. Staff costs

The average monthly number of employees during the year was as follows:

	2017 No.	2016 No.
Production staff	<u>862</u>	<u>955</u>
	<u>862</u>	<u>955</u>

Cadbury UK Limited

**Notes to the financial statements
For the year ended 31 December 2017**

6. Staff costs (continued)

The aggregate payroll costs incurred during the year, relating to the above, were:

	2017 £000	2016 £000
Wages and salaries	40,141	45,137
Social security costs	4,035	4,299
Other pension costs	8,894	7,134
	<u>53,070</u>	<u>56,570</u>

The directors did not receive any emoluments for their services as directors of the company during the year (2016 - £NIL). The directors were remunerated by other group companies and no recharges were made. It is not possible to apportion the proportion of the directors' work that was done for the company.

7. Interest receivable and similar income

	2017 £000	2016 £000
Interest on loans to group undertakings	2,708	3,324
	<u>2,708</u>	<u>3,324</u>

8. Interest payable and similar charges

	2017 £000	2016 £000
Interest on bank loans and overdrafts	2	2
	<u>2</u>	<u>2</u>

Cadbury UK Limited

Notes to the financial statements
For the year ended 31 December 2017

9. Tax on profit on ordinary activities

	2017 £000	2016 £000
Corporation tax		
Current UK tax on profits for the year	504	2,243
Adjustments in respect of previous periods	96	6
Total UK current tax	<u>600</u>	<u>2,249</u>
Foreign tax relief/other relief	(504)	(2,243)
	<u>96</u>	<u>6</u>
Foreign tax		
Foreign tax suffered	776	2,243
Total current tax	<u>872</u>	<u>2,249</u>
Deferred tax		
Origination and reversal of timing differences	(3)	-
Total deferred tax (Note 16)	<u>(3)</u>	<u>-</u>
Tax on profit on ordinary activities	<u>869</u>	<u>2,249</u>

Notes to the financial statements
For the year ended 31 December 2017

9. Tax on profit on ordinary activities (continued)

Reconciliation of tax charge for the year

The tax assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £000	2016 £000
Profit on ordinary activities before tax	25,334	31,536
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	4,876	6,307
Effects of:		
Expenses not deductible for tax purposes	84	132
Non-taxable income	-	(1,938)
Adjustments to tax charge in respect of prior periods	96	6
Double taxation relief	(504)	(2,243)
Foreign tax suffered	750	2,243
Group relief not paid for	(4,430)	(2,258)
Recognition of deferred tax	(3)	-
Total tax charge for the year	869	2,249

Factors that may affect future tax charges

The tax rate for the current year is lower than the prior year due to changes in the UK Corporation tax rate which decreased from 20% to 19% from 1 April 2017.

The Finance Act 2016 which received royal assent on 15 September 2016 further reduced the main rate of corporation tax to 17% from 1 April 2020.

10. Dividends

Dividends paid during the year:

	2017 £000	2016 £000
Cash dividends paid to immediate parent company	300,000	-
	300,000	-

Dividends of £6.04 per ordinary share were paid during the year (2016 - £NIL)

Cadbury UK Limited

**Notes to the financial statements
For the year ended 31 December 2017**

11. Intangible assets

	Intellectual property £000
Cost	
At 1 January 2017	8,781
At 31 December 2017	8,781
Accumulated amortisation	
At 1 January 2017	2,413
Charge for the year	439
At 31 December 2017	2,852
Net book value	
At 31 December 2017	5,929
At 31 December 2016	6,368

12. Tangible assets

	Land and buildings £000	Plant and machinery £000	Total £000
Cost			
At 1 January 2017	108	40	148
At 31 December 2017	108	40	148
Accumulated depreciation			
At 1 January 2017	14	12	26
Charge for the year	3	2	5
At 31 December 2017	17	14	31
Net book value			
At 31 December 2017	91	26	117
At 31 December 2016	94	28	122

Cadbury UK Limited

Notes to the financial statements
For the year ended 31 December 2017

13. Investments in subsidiary and associated undertakings

	Shares in group undertakings £000
Cost or valuation	
At 1 January 2017	3
At 31 December 2017	3
Charge for the year	
At 1 January 2017 and 31 December 2017	-
Net book value	
At 31 December 2017	3
At 31 December 2016	3

Subsidiaries and group undertakings

The company's investment represents its interest in the following entities:

Name	Registered offices	Holding	Principal activity
Cadbury International Limited	Cadbury House, Sanderson Road, Uxbridge, Middlesex, UB8 1DH	100 %	Holding Company
The Cocoa Research Association Limited	Knightlands, North Benfleet Hall Road, North Benfleet, Wickford, Essex, SS12 9JR	8.33 %	Support of cocoa research projects
The Ghana Cocoa Growing Research Association Limited	Knightlands, North Benfleet Hall Road, North Benfleet, Wickford, Essex, SS12 9JR	11.11 %	Support of cocoa research projects

The carrying value of the remaining investments is £NIL (2016 - £NIL).

Notes to the financial statements
For the year ended 31 December 2017

14. Debtors

	2017 £000	2016 £000
Trade debtors	725	286
Amounts owed by group undertakings	145,002	395,909
Other taxation	-	338
Other debtors	225	2,600
Prepayments and accrued income	-	8
Deferred taxation (see note 16)	3	-
	<u>145,955</u>	<u>399,141</u>

Amounts owed by group undertakings include non-trading balances which are unsecured, earn interest at the London Interbank Offered Rate less 0.375%, with a floor at 0%, and are repayable on demand.

15. Creditors: Amounts falling due within one year

	2017 £000	2016 £000
Bank overdrafts	-	7
Trade creditors	-	66
Amounts owed to group undertakings	55,863	35,972
Other taxation and social security	954	1,227
Other creditors	533	174
Accruals and deferred income	7,061	5,901
	<u>64,411</u>	<u>43,347</u>

Amounts owed to group undertakings include non-trading balances which are unsecured, incur interest at the London Interbank Offered Rate plus 0.125% and are repayable on demand.

16. Deferred tax

The movement on the deferred tax position is as follows:

	2017 £000	2016 £000
At beginning of year	-	-
Credited to profit or loss	3	-
At end of year	<u>3</u>	<u>-</u>

Notes to the financial statements
For the year ended 31 December 2017

16. Deferred tax (continued)

The deferred tax account consists of the tax effect of timing differences in respect of:

	2017 £000	2016 £000
Fixed asset timing differences	3	-
	<u>3</u>	<u>-</u>

The company has unrecognised deferred taxation assets as follows:

	2017 £000	2016 £000
Not provided for in financial statements		
Fixed asset timing differences	-	4
	<u>-</u>	<u>4</u>

At 31 December 2016 deferred tax assets were not recognised as there was no expectation of reversal in the foreseeable future due to the availability of group tax losses. Management's view has changed in the current year due to changes in the loss utilisation legislation and therefore deferred tax assets have been recognised in the accounts.

17. Provisions for liabilities

	Onerous leases £000	Restructuring or reorganisation £000	Total £000
At 1 January 2017	2,638	-	2,638
Additions	-	841	841
At 31 December 2017	<u>2,638</u>	<u>841</u>	<u>3,479</u>

Onerous lease provisions have arisen as a result of the company's ongoing focus on establishing and maintaining operating efficiency.

Restructuring provisions relate to organisational and structural reorganisations.

Notes to the financial statements
For the year ended 31 December 2017

18. Employee benefits

Defined contribution plans

The amount recognised in the Statement of comprehensive income as an expense in relation to defined contribution plans was £636,000 (2016 - £556,000)

Multi-employer plan

The amount recognised in the Statement of comprehensive income as an expense in relation to multi-employer plans was £8,258,000 (2016 - £6,578,000).

At 31 December 2017 the company actuary estimated the Cadbury Mondelez Pension Fund to have a deficit of £381,900,000 (2016 - £574,100,000) under the projected unit credit method. The latest full actuarial valuation was carried out as at 5 April 2016 as part of the 2016 merger of the two plans, and a new recovery plan was put in place. Mondelez UK Holdings & Services Limited, as the sponsoring employer, accounts for the whole plan within its financial statements as a defined benefit plan.

19. Called up share capital

	2017 £000	2016 £000
Authorised		
50,000,000 (2016 - 50,000,000) Ordinary shares of £1 each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>
Issued, called up and fully paid		
49,674,973 (2016 - 49,674,973) Ordinary shares of £1 each	49,675	49,675
	<u>49,675</u>	<u>49,675</u>

20. Reserves

A full list of reserve balances is provided on page 10 in the Statement of changes in equity.

21. Operating leases

At 31 December 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £000	2016 £000
Not later than 1 year	3,494	6,052
Later than 1 year and not later than 5 years	11,482	13,364
Later than 5 years	8,550	10,533
	<u>23,526</u>	<u>29,949</u>

Notes to the financial statements
For the year ended 31 December 2017

22. Events after the end of the reporting period

There have been no significant events affecting the company since the year end.

23. Controlling party

At 31 December 2017 the immediate parent company was Kraft Foods UK IP & Production Holdings Limited.

At 31 December 2017 the company's ultimate parent company and controlling party was Mondelez International Inc., incorporated in the United States of America. This is the parent company of the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of Mondelez International Inc. are available on application from the Company Secretary, Cadbury House, Sanderson Road, Uxbridge, UB8 1DH.