Registered number: 00155256

Cadbury UK Limited

Financial Statements

For the year ended 31 December 2016

Contents

	Page
Strategic report	1
Directors' report	2 - 4
Independent auditors' report to the members	5 - 6
Statement of comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Notes to the financial statements	10 - 24

Strategic report
For the year ended 31 December 2016

The directors have pleasure in presenting their Strategic report for the year ended 31 December 2016.

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 £29,287,000 (2015 - £47,759,000), and the net assets of the company increased to £359,649,000 (2015 - £330,362,000).

During the year Cadbury UK Limited received a cash dividend of £40,733,599 from Cadbury International Limited, as a result of which the net assets of Cadbury International Limited were reduced to £3,000. As per Cadbury UK Limited's accounting policy and the substance of the transaction, £31,045,972 of the distribution has been treated as a return of capital, and the remainder of £9,687,627 in excess of the investment carrying value accounted for as a dividend within the Statement of comprehensive income.

The directors do not recommend a dividend to be paid (2015 - £NIL).

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. These 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 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 22 Sep 2017 and signed on behalf of the board by:

C N Keene
Director

Directors' report
For the year ended 31 December 2016

The directors present their report and the audited financial statements of the company for the year ended 31 December 2016.

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:

C N Keene (appointed 1 October 2016)
S R Bell (appointed 15 April 2016, resigned 31 March 2017)
D R Harding-Smith (resigned 15 April 2016)
D J Shepard (resigned 30 September 2016)
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 2016 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 handicapped or 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.

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 20 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 2016.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

Directors' report (continued)
For the year ended 31 December 2016

Disclosure of information to auditors

Each of the persons who is a director at the time when this Directors' report is approved has confirmed that:

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

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 22 Sep 2017 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 financial statements

Our opinion

In our opinion, Cadbury UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.

What we have audited

The financial statements, included within the Financial Statements (the "Financial Statements"), comprise:

- the Statement of financial position as at 31 December 2016;
- the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic report and the Directors' report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, 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.

We have no exceptions to report arising from this responsibility.

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

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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) ("ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.

Nicholas Stevenson (Senior statutory auditor)
for and on behalf of PricewaterhouseCooper LLP
Chartered Accountants and Statutory Auditors
Birmingham
29 September 2017

Statement of comprehensive income
For the year ended 31 December 2016

	Note	2016 £000	2015 £000
Turnover	4	106,199	122,600
Cost of sales		(40,913)	(52,333)
Gross profit		65,286	70,267
Administrative expenses		(55,612)	(35,243)
Other operating income		8,852	14,924
Operating profit	5	18,526	49,948
Income from fixed assets investments		9,688	-
Interest receivable and similar income	7	3,324	667
Interest payable and similar charges	8	(2)	(2)
Profit before taxation		31,536	50,613
Tax on profit on ordinary activities	9	(2,249)	(2,854)
Profit for the financial year		29,287	47,759

There are no items of other comprehensive income other than the profit for the financial year (2015: £nil).

All activities of the company are from continuing operations.

The notes on pages 10 to 24 form part of these financial statements.

Cadbury UK Limited
Registered number:00155256

Statement of financial position
As at 31 December 2016

	Note		2016 £000		2015 £000
Fixed assets					
Intangible assets	10		6,368		6,801
Tangible assets	11		122		126
Investments in subsidiaries and associated undertakings	12		3		31,049
			6,493		37,976
Current assets					
Debtors	13	399,141		365,414	
		399,141		365,414	
Creditors: amounts falling due within one year	14	(43,347)		(70,390)	
Net current assets			355,794		295,024
Total assets less current liabilities			362,287		333,000
Provisions for liabilities	15	(2,638)		(2,638)	
			(2,638)		(2,638)
Net assets			359,649		330,362
Capital and reserves					
Called up share capital	17		49,675		49,675
Profit and loss account			309,974		280,687
Total shareholders' funds			359,649		330,362

These financial statements were approved by the board of directors and authorised for issue on 22 Sep 2017 and are signed on behalf of the board by:

C N Keene
Director

Statement of changes in equity
For the year ended 31 December 2016

	Called up share capital	Profit and loss account	Total
	£000	£000	£000
At 1 January 2015	49,675	232,928	282,603
Profit for the financial year	-	47,759	47,759
Total comprehensive income for the year	-	47,759	47,759
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 31 December 2016	49,675	309,974	359,649

The notes on pages 10 to 24 form part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2016

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 3 3 .7).

This information is included in the consolidated financial statements of Mondelez International Inc., as at 31 December 2016.

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 profit and loss account 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.

2. Accounting policies (continued)

2.6 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.

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

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.

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 under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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 subsidiaries and associated undertakings

Investments in subsidiaries 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. Accounting policies (continued)

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.

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 pension 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.

2. Accounting policies (continued)

2.13 Employee benefits (continued)

(iii) Multi-employer pension plan

Until the merger of these plans during 2016, the company was a member of two multi-employer pension plans, the Cadbury Pension Fund and the Mondelez UK Retirement Benefits Plan. On 29 April 2016 the assets and liabilities of the Mondelez UK Retirement Benefits Plan were merged into the Cadbury Pension Fund which was renamed following the merger to the Cadbury Mondelez Pension Fund. As the company is not able to separately identify its share of the net assets and liabilities of the group plan, it accounts for contributions as if they were a defined contribution pension plan.

Under FRS 102, up to the point of the merger the Mondelez UK Retirement Benefits Plan has been reported in the financial statements of Mondelez UK Limited, with the Cadbury Pension Fund being reported in the financial statements of Mondelez UK Holdings & Services Limited. Following the merger on 29 April 2016, the results for the merged Cadbury Mondelez Pension Fund are being reported in the financial statements of Mondelez UK Holdings & Services Limited.

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

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.

2. Accounting policies (continued)

2.14 Financial instruments (continued)

(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 marker 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 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. Where dividend income is received that reduces the value of the subsidiary held as an investment in the company's financial statements it is treated as a return of capital and the investment value is reduced by the value of the dividend receipt.

2.16 Other operating income

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

2.17 Interest income

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

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 16 for further details.

3. Critical accounting judgements and estimate uncertainty (continued)

(b) Key accounting estimates and assumptions

(i) Provisions for liabilities (note 15 to the accounts)

The provision relates to two properties and 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.

4. Turnover

Turnover arises from:

	2016 £000	2015 £000
Royalty income	67,212	73,243
Recharges made for the provision of employment services	38,987	49,357
	106,199	122,600

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:

	2016 £000	2015 £000
Amortisation of intangible assets	438	439
Depreciation of tangible assets	4	5
Operating lease rentals	4,358	3,881

Audit fees for the company are now 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 (2015 - £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 aggregate payroll costs incurred during the year, relating to the above, were:

	2016 £000	2015 £000
Wages and salaries	45,137	53,844
Social security costs	4,299	3,959
Other pension costs	7,134	10,135
	56,570	67,938

The average monthly number of staff employed by the company during the year amounted to:

	2016 No.	2015 No.
Production staff	955	1,086

The directors did not receive any emoluments for their services as directors of the company during the year (2015 - £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

	2016 £000	2015 £000
Interest on loans to group undertakings	3,324	667
	3,324	667

8. Interest payable and similar charges

	2016 £000	2015 £000
Interest on bank loans and overdrafts	2	2
	2	2

9. Tax on profit on ordinary activities

	2016 £000	2015 £000
Corporation tax		
Current tax on profits for the year	2,243	2,685
Adjustments in respect of previous periods	6	(48)
Total UK current tax	2,249	2,637
Foreign tax relief/other relief	(2,243)	(2,685)
	6	(48)
Foreign tax		
Foreign tax suffered	2,243	2,902
Total current tax	2,249	2,854

9. Tax on profit on ordinary activities (continued)

Reconciliation of tax charge for the year

The tax assessed for the year is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	31,536	50,613
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%)	6,307	10,249
Effects of:		
Effect of expenses not deductible for tax purposes	132	870
Effect of capital allowances and depreciation	-	1
Income not taxable	(1,938)	-
Adjustments to tax charge in respect of prior periods	6	(48)
Double taxation relief	(2,243)	(2,685)
Tax charge on overseas investments	2,243	2,902
Group relief not paid for	(2,258)	(8,435)
Total tax charge for the year	2,249	2,854

Factors that may affect future tax charges

The company has unrecognised deferred taxation (assets) as follows:

	2016 £000	2015 £000
Not provided for in financial statements		
Depreciation for period in excess of capital allowances	4	4

The tax rate for the current period is lower than the prior period due to changes in the UK Corporation tax rate which decreased from 21% to 20% from 1 April 2015.

The Finance (No. 2) Act 2015, which received royal assent on 18 November 2015, reduced the main rate of corporation tax from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020, whilst the Finance Act 2016, which received royal asset on 15 September 2016, included further reduction of the rate of 18% to 17% from 1 April 2020.

At 31 December 2016 and 2015 deferred tax assets (measured at the enacted rates at the balance sheet date of 17% and 18% respectively) were not recognised as there was no expectation of reversal in the foreseeable future due to the availability of Group tax losses.

10. Intangible assets

	Intellectual property £000
Cost	
At 1 January 2016	8,776
Additions	5
At 31 December 2016	8,781
Amortisation	
At 1 January 2016	1,975
Charge for the year	438
At 31 December 2016	2,413
Net book value	
At 31 December 2016	6,368
At 31 December 2015	6,801

11. Tangible assets

	Land and buildings £000	Plant and machinery £000	Total £000
Cost			
At 1 January 2016	108	40	148
At 31 December 2016	108	40	148
Depreciation			
At 1 January 2016	12	10	22
Charge for the year	2	2	4
At 31 December 2016	14	12	26
Net book value			
At 31 December 2016	94	28	122
At 31 December 2015	96	30	126

12. Investments in subsidiaries and associated undertakings

	Shares in group undertakings £000
Cost or valuation	
At 1 January 2016	31,049
Return of capital	(31,046)
At 31 December 2016	3
Charge for the year	
At 1 January 2016 and 31 December 2016	-
Net book value	
At 31 December 2016	3
At 31 December 2015	31,049

Subsidiaries and associated 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
LCH. Clearnet Group Limited*	Aldgate House, 33 Aldgate High Street, London, EC3N 1EA	0.01 %	Clearing House
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

12. Investments in subsidiaries and associated undertakings (continued)

The directors believe that the carrying value of the investments in Cadbury International Limited is supported by their underlying assets. During the year Cadbury UK Limited received a cash dividend of £40,733,599 from Cadbury International Limited, as a result of which the net assets of Cadbury International Limited were reduced to £3,000. As per Cadbury UK Limited's accounting policy and the substance of the transaction, £31,045,972 of the distribution has been treated as a return on capital, and the remainder of £9,687,627 in excess of the investment carrying value accounted for as a dividend within the Statement of comprehensive income.

The carrying value of the remaining investments is £Nil (2015 - £Nil).

* denotes these are indirect holdings

13. Debtors

	2016 £000	2015 £000
Trade debtors	286	351
Amounts owed by group undertakings	395,909	364,104
Other taxation	338	-
Other debtors	2,600	958
Prepayments and accrued income	8	1
	399,141	365,414

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.

14. Creditors: Amounts falling due within one year

	2016 £000	2015 £000
Bank overdrafts	7	26
Trade creditors	66	576
Amounts owed to group undertakings	35,972	59,364
Other taxation and social security	1,227	1,164
Other creditors	174	503
Accruals and deferred income	5,901	8,757
	43,347	70,390

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

15. Provisions for liabilities

	Onerous leases £000
At 1 January 2016	2,638
At 31 December 2016	2,638

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

16. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £556,000 (2015: £443,000)

Multi-employer plan

The amount recognised in profit or loss as an expense in relation to multi-employer plans were £6,578,000 (2015 - £9,692,000).

Cadbury Mondelez Pension Fund

On 29 April 2016 the assets and liabilities of the Mondelez UK Retirement Benefits Plan were merged into the Cadbury Pension Fund which was renamed following the merger to the Cadbury Mondelez Pension Fund.

At 31 December 2016 the company actuary estimated the Cadbury Mondelez Pension Fund to have a deficit of £574,100,000 (2015 - £341,700,000) 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.

17. Share capital

	2016 £000	2015 £000
Authorised share capital		
50,000,000 Ordinary shares of £1 each	50,000	50,000
Issued, called up and fully paid		
49,675,000 Ordinary shares of £1 each	49,675	49,675

18. Reserves

A full list of reserve balances are provided on page 9 in the Statement of changes in equity.

19. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2016 £000	2015 £000
Not later than 1 year	6,052	5,381
Later than 1 year and not later than 5 years	13,364	6,736
Later than 5 years	10,533	419
	29,949	12,536

20. Events after the end of the reporting period

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

21. Controlling party

At 31 December 2016 the immediate parent company was Kraft Foods UK IP & Production Holdings Limited.

At 31 December 2016 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.