

## **Quaker Oats Limited**

### **Directors' report and financial statements**

Registered number 00064262

Period ended 29 December 2012

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## Directors' report

The directors present their annual report and the audited financial statements for the period ended 29 December 2012

### Principal activities

The company is non-trading and receives a royalty income

### Business review

The profit before tax for the period was £5 323 000 (2011 £13,697 000). This profit principally represents a dividend received from a fellow group company and royalty income.

### Principal risks and uncertainties

The company anticipates and measures its exposure to risk through planning and management reporting. Further information on these risks, and their potential impact, can be found in the PepsiCo Inc. Annual Report for 2012, which may be obtained from their registered office as detailed in note 20.

### Dividends

The directors do not recommend the payment of a final dividend for the period (2011 £90 900,000).

### Directors

The directors who held office during the period were as follows:

|             |                          |
|-------------|--------------------------|
| S L Hughes  | (resigned 23 July 2012)  |
| J K Averiss |                          |
| S J Dean    |                          |
| J E Rosall  | (appointed 23 July 2012) |
| J L Sigalos | (appointed 7 July 2012)  |
| V E Evans   | (appointed 23 July 2012) |

### Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### Political and charitable contributions

The company made no political or charitable contributions during the period (2011 £nil).

### Employee communication and policy

The company follows an employment policy of non-discrimination on the grounds of sex, race or age and gives full and fair consideration to the employment of disabled people.


The company promotes a positive attitude by ensuring that recruitment of staff are fully conversant with the statutory provisions on discrimination and by giving full and fair consideration to applications for employment by disabled people, having regard to their particular aptitudes and abilities. Wherever possible, arrangements are made to retain and assist employees who become disabled during service and to ensure that disabled people have equal opportunities with other employees for training, career progression and promotion.

The company provides all employees with information on its progress in regular internal newspapers and videos. Group briefings and individual employee consultations are also held. In addition, PepsiCo Group operates a share option scheme, which historically all full-time employees of this company were eligible to participate in. The PepsiCo Inc. SharePower program has been closed to new grants since the beginning of 2011. All outstanding options will continue to vest and be exercisable according to the terms of the program.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board

  
J L Sigalos  
Director  
23 July 2013

1600 Arlington Business Park  
Heath  
Berkshire  
RG7 4SA

## **Statement of Directors' responsibilities in respect of the Directors' report and the financial statements**

The directors are responsible for preparing 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 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, 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. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## KPMG LLP

Arlington Business Park  
Theale  
Reading  
RG7 4SD  
United Kingdom

### **Independent auditor's report to the members of Quaker Oats Limited**

We have audited the financial statements of Quaker Oats Limited for the period ended 29 December 2012 set out on pages 5 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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 (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's (FRC) website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **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 29 December 2012 and of the company's profit for the period then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters 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.

## **Independent auditor's report to the members of Quaker Oats 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 by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company 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



**Simon Haydn-Jones (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
Arlington Business Park,  
Theale,  
Reading  
RG7 4SD

26 July 2013

**Profit and loss account**  
*for the period ended 29 December 2012*

|  | <i>Note</i> | <b>2012</b><br><b>£000</b> | <b>2011</b><br><b>£000</b> |
|--|-------------|----------------------------|----------------------------|
| Other operating income                               | 3           | 4,894                      | 4 081                      |
| Other operating expenses                             | 4           | (1)                        | -                          |
| <b>Operating profit</b>                              |             | <b>4,893</b>               | <b>4 081</b>               |
| Interest receivable and similar income               | 7           | 537                        | 1 374                      |
| Interest payable and similar charges                 | 8           | (107)                      | (8)                        |
| Income from shares in group undertakings             |             | -                          | 8 250                      |
| <b>Profit on ordinary activities before taxation</b> |             | <b>5,323</b>               | <b>13 697</b>              |
| Tax on profit on ordinary activities                 | 9           | (1,304)                    | (1 444)                    |
| <b>Profit for the period</b>                         | 16          | <b>4,019</b>               | <b>12 253</b>              |

There were no recognised gains or losses in either period other than the (loss)/profit for the period, which was entirely derived from continuing activities

There is no difference between the company's results as reported and on an historical cost basis. Accordingly, no note of historical cost profit and loss has been prepared.

**Balance sheet**  
*at 29 December 2012*

|  | <i>Note</i> | <b>2012</b>   | <b>2011</b>   |
|--|-------------|---------------|---------------|
|  |             | <b>£000</b>   | <b>£000</b>   |
| <b>Fixed assets</b>  |             |               |               |
| Investments  | 10          | 4,784         | 4 784         |
| <b>Current assets</b>  |             |               |               |
| Debtors  | 11          | 21,834        | 24 300        |
| Cash at bank and in hand                                       |             | 4,659         | 218           |
|  |             | <u>26,493</u> | <u>24 518</u> |
| <b>Creditors' amounts falling due within one year</b>          | 12          | (1,334)       | (3 427)       |
|  |             | <u>25,159</u> | <u>21,091</u> |
| <b>Net current assets</b>                                      |             |               |               |
|  |             | <u>29,943</u> | <u>25 875</u> |
| <b>Total assets less current liabilities</b>                   |             |               |               |
| <b>Creditors' amounts falling due after more than one year</b> | 13          | (4,614)       | (4,508)       |
|  |             | <u>25,329</u> | <u>21,367</u> |
| <b>Net assets</b>  |             |               |               |
|  |             | <u>25,329</u> | <u>21,367</u> |
| <b>Capital and reserves</b>                                    |             |               |               |
| Called up share capital  | 14          | 500           | 500           |
| Share premium account  | 15          | 4,785         | 4 785         |
| Profit and loss account  | 15          | 20,044        | 16 082        |
|  |             | <u>25,329</u> | <u>21,367</u> |
| <b>Equity shareholder's funds</b>                              | 16          |               |               |
|  |             | <u>25,329</u> | <u>21,367</u> |

The financial statements of Quaker Oats Limited company number 00064262 were approved by the board of directors on 23 July 2013 and were signed on its behalf by



**J L Sigalos**  
*Director*



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements, except as noted below

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

The comparative figures cover the period to 31 December 2011 as permitted by the Companies Act 2006 Section 390

Under Financial Reporting Standard 1 (Revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

The company's business activities together with the factors likely to affect its future development and position are set out in the Business Review in the Directors' Report. The financial position of the company, its cash flows, liquidity position and borrowing facilities are directly related to the consolidated position of PepsiCo, Inc. As such, details of this Group-wide position are described in the consolidated financial statements of PepsiCo, Inc. available to the public from the address in note 20.

In addition, the notes to the consolidated financial statements of PepsiCo, Inc. include the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of PepsiCo, Inc. the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date or, if appropriate, a forward contract rate and the gains or losses on translation are included in the profit and loss account.

#### *Share based payment*

The share option programme allows employees to acquire shares in PepsiCo, Inc., the ultimate parent company. The fair value of options granted (after 7 November 2002 and those not yet vested as at 1 January 2006) is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted.

#### *Group financial statements*

In accordance with section 401 of the Companies Act 2006 the company, being a wholly owned subsidiary undertaking, is exempt from the requirement to prepare and deliver group financial statements. Copies of the consolidated financial statements are available from the registered office of the ultimate parent company as set out in Note 20.

## Notes (continued)

### 1 Accounting policies (continued)

#### Taxation

The charge or credit for taxation is based on the results for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard 19.

#### Dividends on shares presented within shareholder's funds

Dividends are only recognised as a liability to the extent that they are declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

#### Related party transactions

Under Financial Reporting Standard 8, the company is exempt from the requirement to disclose related party transactions with members of the same group on the grounds that the company is a wholly-owned subsidiary.

#### Royalty income

Royalty income from trademarks is based on a percentage of relevant net revenue and is accrued as earned.

### 2 Auditor's remuneration

The auditor's remuneration has been borne in both periods by a fellow group company. The amount of the audit fee attributable to the company was £4,800 (2011: £6,000) and no additional non-audit services were received during the period (2011: £nil).

### 3 Other operating income

|                       | 2012<br>£000 | 2011<br>£000 |
|-----------------------|--------------|--------------|
| Release of provisions | -            | 13           |
| Royalty income        | 4,894        | 4,068        |
|                       | <u>4,894</u> | <u>4,081</u> |

### 4 Other operating expenses

|              | 2012<br>£000 | 2011<br>£000 |
|--------------|--------------|--------------|
| Bank charges | 1            | -            |
|              | <u>1</u>     | <u>-</u>     |

### 5 Remuneration of directors

The directors principally work for other group companies. Their emoluments in both periods have been borne by the group company where the majority of the directors' time is expended.

## Notes (continued)

### 6 Staff numbers and costs

The average number of persons employed by the company (excluding directors) during the period analysed by category was as follows

|                               | 2012<br>Number | 2011<br>Number |
|-------------------------------|----------------|----------------|
| Management and administration | 5              | 5              |
|                               | <u>5</u>       | <u>5</u>       |

In 2012 the cost of staff employed by Quaker Oats Limited was borne by a fellow group company where the majority of the employees' time was expended without recharge

### 7 Interest receivable and similar income

|  | 2012<br>£000 | 2011<br>£000 |
|--|--------------|--------------|
| Interest receivable on bank deposits               | 6            | 46           |
| Interest receivable on loans to group undertakings | 531          | 1 324        |
| Interest on tax refunds                            | -            | 3            |
| Exchange gain                                      | -            | 1            |
|  | <u>537</u>   | <u>1 374</u> |

### 8 Interest payable and similar expense

|   | 2012<br>£000 | 2011<br>£000 |
|---|--------------|--------------|
| Interest payable on loans from group undertakings | 107          | 8            |
|   | <u>107</u>   | <u>8</u>     |

### 9 Taxation

#### Analysis of charge in period

|                                      | 2012<br>£000 | 2011<br>£000 |
|--------------------------------------|--------------|--------------|
| UK corporation tax                   |              |              |
| Current tax on income for the period | 1,304        | 1,444        |
| Total current tax charge             | <u>1,304</u> | <u>1,444</u> |
| Tax on profit on ordinary activities | <u>1,304</u> | <u>1 444</u> |

## Notes (continued)

### 9 Taxation (continued)

#### *Factors affecting the tax charge for the current period*

The current tax charge for the period is the same (2011 lower) as the standard rate of corporation tax in the UK of 24.51% (2011 26.51%)

|  | 2012<br>£000 | 2011<br>£000 |
|--|--------------|--------------|
| <i>Current tax reconciliation</i>            |              |              |
| Profit on ordinary activities before tax     | 5,323        | 13,697       |
| Current tax at 24.51% (2011 26.51%)          | 1,304        | 3,631        |
| <i>Effects of</i>                            |              |              |
| Dividend received not taxable                | -            | (2,187)      |
| Total current tax charge (see previous page) | <u>1,304</u> | <u>1,444</u> |

#### *Factors that may affect future tax charges*

The 2012 UK Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. The December 2012 UK Autumn Statement announced a planned further reduction to 21% by 2014 and the 2013 UK Budget on 20 March 2013 announced that the UK corporation tax rate will reduce to 20% by 2015. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011 and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2012.

This will reduce the company's future current tax charge accordingly.

It has not yet been possible to quantify the full anticipated effect of the further rate reductions, although this will further reduce the company's future current tax charge.

### 10 Fixed asset investments

|                                |              |
|--------------------------------|--------------|
| <i>Cost and net book value</i> | £000         |
| At beginning and end of period | <u>4,784</u> |

| Name                    | Ordinary share capital owned by the company | Country of incorporation and principal operation | Principal activity |
|-------------------------|---|--|--------------------|
| <b>Held directly</b>    |   |  |                    |
| Quaker Trading Limited  | 100%  | Great Britain                                    | Non-trading        |
| Quaker Oats BV          | 100%  | The Netherlands                                  | Manufacturing      |
| Simba (Lesotho) Pty Ltd | 1%  | South Africa                                     | Dormant            |

**Notes (continued)**

**11 Debtors**

|   | 2012<br>£000  | 2011<br>£000  |
|---|---------------|---------------|
| Amounts owed by fellow group undertakings | 21,832        | 24 300        |
| VAT repayments                            | 2             | -             |
|   | <u>21,834</u> | <u>24 300</u> |

**12 Creditors' amounts falling due within one year**

|   | 2012<br>£000 | 2011<br>£000 |
|---|--------------|--------------|
| Amounts owed to fellow group undertakings | 30           | 1 983        |
| Corporation tax                           | 1,304        | 1 444        |
|   | <u>1,334</u> | <u>3 427</u> |

**13 Creditors: amounts falling due after more than one year**

|   | 2012<br>£000 | 2011<br>£000 |
|---|--------------|--------------|
| Amounts owed to fellow group undertakings | 4,614        | 4 508        |
|   | <u>4,614</u> | <u>4 508</u> |

Amounts owed to fellow group undertakings comprises an intercompany loan which has no fixed repayment terms but is anticipated to be repaid after more than one year

**14 Called up share capital**

|   | 2012<br>£000 | 2011<br>£000 |
|---|--------------|--------------|
| <i>Authorised, allotted, called up and fully paid</i><br>500 002 ordinary shares of £1 each | 500          | 500          |
|   | <u>500</u>   | <u>500</u>   |

## Notes (continued)

### 15 Share premium and reserves

|                                | Share Premium | Profit and loss<br>reserve |
|--------------------------------|---------------|----------------------------|
|                                | £000          | £000                       |
| At beginning of period         | 4,785         | 16,082                     |
| Retained profit for the period | -             | 4,019                      |
| IRS 20 Reserve                 | -             | (57)                       |
| Dividends paid                 | -             | -                          |
| <b>At end of period</b>        | <b>4,785</b>  | <b>20,044</b>              |

### 16 Reconciliation of movements in equity shareholder's funds

|  | 2012          | 2011          |
|--|---------------|---------------|
|  | £000          | £000          |
| Opening equity shareholder's funds                               | 21,367        | 100,014       |
| Profit in financial period                                       | 4,019         | 12,253        |
| Payment to parent company in relation to share options exercised | (57)          | -             |
| Dividends paid   | -             | (90,900)      |
| <b>Closing equity shareholder's funds</b>                        | <b>25,329</b> | <b>21,367</b> |

### 17 Commitments

There were no capital commitments at the end of the financial period (2011: £nil)

### 18 Share based compensation

The share based payment charge for the period was £nil (2011: £nil)

The company's equity-settled share-based payments comprise the SharePower programme, Chairman's awards and the Long-term incentive plan (LTIP). The amount of shares held in the Employee Share Option Plans and details of shares and share options subject to equity-settled share based payments are set out below.

All share option programmes allow employees to acquire shares in PepsiCo Inc. Stock option grants are made at the current stock price, meaning that the exercise price is equivalent to the stock price on the date of grant. Employees must generally provide three additional years of service to earn the grant, referred to as the vesting period. The options generally have a 10-year term, which gives the employees seven years after the vesting period to elect to pay the exercise price to purchase one share for each option exercised.

## Notes (continued)

### 18 Share based compensation (continued)

Stock options granted under the LTIP program generally have a 10-year term and vest over three years

Under the SharePower programme stock options were granted annually to all eligible employees based on job level or classification. SharePower awards generally have a 10-year term and vest over three years.

In September 2010 it was announced that the SharePower programme was being discontinued. Consequently, beginning in 2011 no new awards have been granted under the SharePower programme. Outstanding SharePower awards from 2010 and earlier will continue to vest and be exercisable according to the terms and conditions of the programme.

Details of outstanding share options and restricted stock units are set out below. As the share options are for PepsiCo Inc. shares they are denominated in US Dollars, but the disclosures below are in GBP.

|  | 2012<br>Weighted<br>average<br>exercise price<br>£ | 2012<br>Number of<br>options | 2011<br>Weighted<br>average<br>exercise price<br>£ | 2011<br>Number of<br>options |
|--|--|------------------------------|--|------------------------------|
| <b>LTIPS</b>                               |  |                              |  |                              |
| Outstanding at the beginning of the period | 21.18  | 68,270                       | 21.18  | 68,270                       |
| Exercised during the period                | 24.59  | (56,045)                     | -  | -                            |
|  |  | <hr/>                        |  | <hr/>                        |
| Outstanding at the end of the period       | 29.23  | 12,225                       | 21.18  | 68,270                       |
|  |  | <hr/>                        |  | <hr/>                        |
| Exercisable at the end of the period       | 29.23  | 12,225                       | 21.18  | 68,270                       |
|  |  | <hr/>                        |  | <hr/>                        |

No options were granted during the year (2011: nil)

The weighted average share price at the date of exercise of share options exercised during the period was £43.58 (2011: nil exercised).

The options outstanding at the period end have an exercise price of £29.23 (2011: in the range of £25.75 to £47.94) and a weighted average contractual life of approximately 10 years.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a Black-Scholes model. This model estimates the expected value our employees will receive from the options based on a number of assumptions, such as interest rates, employee exercises, the share price and dividend yield.

## Notes (continued)

### 19 Pension scheme

The company is a member of a pension scheme providing benefits based on final pensionable pay. Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis as permitted by FRS 17 'Retirement benefits', the charge for the period is determined as the contributions paid into the scheme.

The latest full actuarial valuation was carried out at 30 September 2011 by a qualified independent actuary. The overall pension deficit at that date was £123 900 000. To eliminate this shortfall the company has agreed that additional contributions will be paid to the Plan by the participating employers.

The pension charge for the period was £nil for 2012 (2011 £nil).

On 25 March 2013 Quaker Oats Limited ceased to be a member of the PepsiCo UK pension plan. All active pension liabilities were transferred to another group company on the cessation date.

### 20 Ultimate holding company and parent undertaking of a larger group of which the company is a member

The company's ultimate parent company is PepsiCo, Inc., a company registered and incorporated in the United States of America.

The results of the company are consolidated in the group financial statements of PepsiCo, Inc., whose registered office is at 700 Anderson Hill Road, Purchase, New York 10577, United States of America.

The consolidated financial statements of this group are available to the public and may be obtained from their registered office as noted above.

No other group financial statements include the results of the Company.