

Quaker Oats Limited

Directors' report and financial statements

Registered number 00064262

Period ended 26 December 2015



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Directors' report

The directors present their annual report and the audited financial statements for the 52 week period ended 26 December 2015.

Principal activities

The principal activity of the company is that of an investment holding company and receives trademark royalty income.

Business review

The profit before tax for the period was £11,176,000 (2014: £5,688,000). This profit in the current and prior periods principally relates to royalties and dividends received from a fellow group company.

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 2015, which may be obtained from their registered office as detailed in note 16.

Dividends

Interim dividends of £4,207,000 (2014: £nil) were paid in the period. The directors do not recommend a final dividend for the period (2014: £nil).

Directors

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

J K Averiss
S J Dean (resigned 17 January 2015)
V E Evans
J L Silverberg
C Stone


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.

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



C Stone
Director
15 June 2016

450 South Oak Way
Green Park
Berkshire
RG26UW

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 judgements 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

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 26 December 2015 set out on pages 5 to 12. 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 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 website at www.frc.org.uk/auditscopeukprivate.

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 26 December 2015 and of its 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 matter prescribed by the Companies Act 2006

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

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled to not prepare a strategic report, in accordance with the small companies regime.



Simon Haydn-Jones (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Arlington Business Park
Theale,
Reading
RG7 4SD

16 June 2016

Profit and loss account
 for the period ended 26 December 2015

	<i>Note</i>	52 week period ended 26 December 2015 £000	52 week period ended 27 December 2014 £000
Other operating income	3	5,902	5,589
Operating profit		5,902	5,589
Interest receivable and similar income	5	1,197	12
Interest payable and similar charges	6	(130)	-
Income from shares in group undertakings	7	4,207	87
Profit on ordinary activities before taxation		11,176	5,688
Tax charge on profit from ordinary activities	8	(1,412)	(1,205)
Profit for the period	14	9,764	4,483

There were no recognised gains or losses in either period other than the 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.

The notes on pages 7 to 12 form part of these financial statements.

Balance sheet
 at 26 December 2015

			26 December 2015 £000	27 December 2014 £000
	Note	£000	£000	£000
Fixed assets				
Investments	9		4,784	4,784
Current assets				
Debtors	10	126,197		1,010
Cash at bank and in hand		-		11,149
		<u>126,197</u>		<u>12,159</u>
Creditors: amounts falling due within one year	11	(114,032)		(5,506)
		<u></u>		<u></u>
Net current assets			12,165	6,653
Total assets less current liabilities			<u>16,949</u>	<u>11,437</u>
Net assets			<u>16,949</u>	<u>11,437</u>
Capital and reserves				
Called up share capital	12		500	500
Share premium account	13		4,785	4,785
Profit and loss account	13		11,664	6,152
			<u>16,949</u>	<u>11,437</u>
Equity shareholder's funds	14		<u>16,949</u>	<u>11,437</u>

The financial statements of Quaker Oats Limited, company number 00064262, were approved by the board of directors on 15 June 2016 and were signed on its behalf by:

Claire Stone

C Stone
 Director

The notes on pages 7 to 12 form part of these financial statements.

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.

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 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 15.

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 derived from those trademarks by fellow group companies 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 £4,940 (2014: £4,800), and no additional non-audit services were received during the period (2014: £nil).

3 Other operating income

	Period ended 26 December 2015 £000	Period ended 27 December 2014 £000
Royalty income	5,902	5,589

4 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)

5 Interest receivable and similar income

	Period ended 26 December 2015 £000	Period ended 27 December 2014 £000
Interest receivable on bank deposits	-	12
Interest receivable on loans to group undertakings	1,197	-
	<u>1,197</u>	<u>12</u>

6 Interest payable and similar expense

	Period ended 26 December 2015 £000	Period ended 27 December 2014 £000
Interest payable to bank	(130)	-
	<u>(130)</u>	<u>-</u>

7 Income from shares in group undertakings

	Period ended 26 December 2015 £000	Period ended 27 December 2014 £000
Dividend income receivable from group undertakings	4,207	87
	<u>4,207</u>	<u>87</u>

8 Taxation

Analysis of charge in period

	Period ended 26 December 2015 £000	Period ended 27 December 2014 £000
<i>UK corporation tax</i>		
Current tax charge on profit for the period	1,412	1,205
Total current tax charge	<u>1,412</u>	<u>1,205</u>
Tax on profit on ordinary activities	<u>1,412</u>	<u>1,205</u>

Notes (continued)

8 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is lower than (2014: lower) the standard rate of corporation tax in the UK of 20.25% (2014: 21.51%).

	Period ended 26 December 2015 £000	Period ended 27 December 2014 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	11,176	5,688
Current tax at 20.25%(2014: 21.51%)	2,264	1,224
<i>Effects of:</i>		
Non taxable dividend income	(852)	(19)
Total current tax charge (see previous page)	1,412	1,205

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly. A further rate reduction to 17%, effective from 1 April 2020, was announced on 16th March 2016. Whilst this will reduce the company's tax liability in future it has not been substantively enacted.

9 Fixed asset investments

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

Name	Ordinary share capital owned by the company	Country of incorporation and principal operation	Principal activity
Held directly			
Quaker Oats BV	100%	The Netherlands	Manufacturing
Simba (Lesotho) Pty Ltd	1%	South Africa	Dormant

Notes (continued)

10 Debtors

	26 December 2015 £000	27 December 2014 £000
Amounts owed by fellow group undertakings	126,197	1,010

Amounts owed by fellow group undertakings includes an intercompany loan of £126,197,000 (2014: £nil) which has no fixed repayment terms but is anticipated to be repaid within one year. The loan is at fixed interest rate of 4.42% during the period (2014: nil).

11 Creditors: amounts falling due within one year

	26 December 2015 £000	27 December 2014 £000
Amounts owed to fellow group undertakings	4,700	4,301
Corporation tax	1,412	1,205
Bank overdraft	107,920	-
	<u>114,032</u>	<u>5,506</u>

12 Called up share capital

	26 December 2015 £000	27 December 2014 £000
<i>Authorised, allotted, called up and fully paid</i> 500,002 ordinary shares of £1 each	500	500

Notes (continued)

13 Share premium and reserves

	Share Premium £000	Profit and loss reserve £000
At beginning of period	4,785	6,152
Retained profit for the period	-	9,764
Payment to parent company in relation to share options exercised	-	(45)
Dividends paid	-	(4,207)
At end of period	4,785	11,664

14 Reconciliation of movements in equity shareholder's funds

	Period ended 26 December 2015 £000	Period ended 27 December 2014 £000
Opening equity shareholder's funds	11,437	7,000
Profit in financial period	9,764	4,483
Payment to parent company in relation to share options exercised	(45)	(46)
Dividends paid	(4,207)	-
Closing equity shareholder's funds	16,949	11,437

15 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.