Quaker Oats Limited

Directors' report and financial statements

Registered number 00064262

Period ended 28 December 2013

Contents

Directors' report

The directors present their annual report and the audited financial statements for the 52 week period ended 28 December 2013.

Principal activities

The company is non-trading and receives a royalty income.

Business review

The profit before tax for the period was £6,021,000 *(2012: £5,323,000)*. This profit in the current and prior periods principally relates to royalties 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 2013, which may be obtained from their registered office as detailed in note 20.

Dividends

Interim dividends of £22,900,000 (2012: £nil) were paid in the period. The directors do not recommend a final dividend for the period *(2012: £nil)*.

Directors

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

J K Averiss
S J Dean
J E Rosall (resigned 24 June 2014)
J L Sigalos (resigned 17 April 2014)
V E Evans
J L Silverberg (appointed 13 January 2013)
C Stone (appointed 17 April 2014)

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 *(2012: £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

Claire Stone

C Stone
Director
3 September 2014

1600 Arlington Business Park
Theale
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 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 28 December 2013 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 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 28 December 2013 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

4 September 2014

Profit and loss account

for the period ended 28 December 2013

	Note	**52 week period ended 28 December 2013 £000**	52 week period ended 29 December 2012 £000
Other operating income	*3*	**5,788**	4,894
Other operating expenses	*4*	**-**	(1)
Operating profit		**5,788**	4,893
Interest receivable and similar income	*7*	**249**	537
Interest payable and similar charges	*8*	**(16)**	(107)
Income from shares in group undertakings		**-**	-
Profit on ordinary activities before taxation		**6,021**	5,323
Tax on profit on ordinary activities	*9*	**(1,400)**	(1,304)
Profit for the period	*16*	**4,621**	4,019

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 14 form part of these financial statements.

Balance sheet
at 28 December 2013

	Note	£000	28 December 2013 £000	£000	29 December 2012 £000
Fixed assets					
Investments	*10*		**4,784**		4,784
Current assets					
Debtors	*11*	**1,431**		21,834	
Cash at bank and in hand		**5,039**		4,659	
		6,470		26,493	
Creditors: amounts falling due within one year	*12*	**(4,254)**		(1,334)	
Net current assets			**2,216**		25,159
Total assets less current liabilities			**7,000**		29,943
Creditors: amounts falling due after more than one year	*13*		**-**		(4,614)
Net assets			**7,000**		25,329
Capital and reserves					
Called up share capital	*14*		**500**		500
Share premium account	*15*		**4,785**		4,785
Profit and loss account	*15*		**1,715**		20,044
Equity shareholder's funds	*16*		**7,000**		25,329

The financial statements of Quaker Oats Limited, company number 00064262, were approved by the board of directors on 3 September 2014 and were signed on its behalf by:

Claire Stone

C Stone
Director

The notes on pages 7 to 14 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.

The comparative figures cover the 52 week period to 29 December 2012 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 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 £4,800 *(2012: £4,800)*, and no additional non-audit services were received during the period *(2012: £nil)*.

3 Other operating income

	Period ended 28 December 2013 £000	Period ended 29 December 2012 £000
Royalty income	**5,788**	4,894

4 Other operating expenses

	Period ended 28 December 2013 £000	Period ended 29 December 2012 £000
Bank charges	-	1

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:

	Period ended 28 December 2013 Number	Period ended 29 December 2012 Number
Management and administration	**1**	5
	1	5

In the current and prior periods 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.

There were no persons employed by the company at 28 December 2013 except for the Directors.

7 Interest receivable and similar income

	Period ended 28 December 2013 £000	Period ended 29 December 2012 £000
Interest receivable on bank deposits	**4**	6
Interest receivable on loans to group undertakings	**244**	531
Exchange gain	**1**	-
	249	537

8 Interest payable and similar expense

	Period ended 28 December 2013 £000	Period ended 29 December 2012 £000
Interest payable on loans from group undertakings	**16**	107

9 Taxation

Analysis of charge in period

	Period ended 28 December 2013 £000	Period ended 29 December 2012 £000
UK corporation tax		
Current tax on income for the period	**1,400**	1,304
Total current tax charge	**1,400**	1,304
Tax on profit on ordinary activities	**1,400**	1,304

Notes *(continued)*

9 Taxation *(continued)*

Factors affecting the tax charge for the current period

The current tax charge for the period is the same *(2012: same)* as the standard rate of corporation tax in the UK of 23.25% *(2012: 24.51%)*.

	Period ended 28 December 2013 £000	Period ended 29 December 2012 £000
Current tax reconciliation		
Profit on ordinary activities before tax	**6,021**	5,323
Current tax at 23.25% *(2012: 24.51%)*	**1,400**	1,304
Effects of:		
None	**-**	-
Total current tax charge (see previous page)	**1,400**	1,304

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 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 2013.

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

10 Fixed asset investments

	£000
Cost and net book value	
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 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

	28 December 2013 £000	29 December 2012 £000
Amounts owed by fellow group undertakings	**1,431**	21,832
VAT recoverable	**-**	2
	1,431	21,834

12 Creditors: amounts falling due within one year

	28 December 2013 £000	29 December 2012 £000
Amounts owed to fellow group undertakings	**2,854**	30
Corporation tax	**1,400**	1,304
	4,254	1,334

13 Creditors: amounts falling due after more than one year

	28 December 2013 £000	29 December 2012 £000
Amounts owed to fellow group undertakings	**-**	4,614
	-	4,614

14 Called up share capital

	28 December 2013 £000	29 December 2012 £000
Authorised, allotted, called up and fully paid		
500,002 ordinary shares of £1 each	**500**	500

Notes *(continued)*

15 Share premium and reserves

	Share Premium £000	Profit and loss reserve £000
At beginning of period	4,785	20,044
Retained profit for the period	-	4,621
Payment to parent company in relation to share options exercised	-	(50)
Dividends paid	-	(22,900)
At end of period	**4,785**	**1,715**

16 Reconciliation of movements in equity shareholder's funds

	Period ended 28 December 2013 £000	Period ended 29 December 2012 £000
Opening equity shareholder's funds	**25,329**	21,367
Profit in financial period	**4,621**	4,019
Payment to parent company in relation to share options exercised	**(50)**	(57)
Dividends paid	**(22,900)**	-
Closing equity shareholder's funds	7,000	25,329

17 Commitments

There were no capital commitments at the end of the financial period *(2012: £nil)*.

18 Share based compensation

The share based payment charge for the period was £nil *(2012: £nil).*

The company's equity-settled share-based payments consist of a Long-term incentive plan (LTIP). The amount of shares held in the Employee Share Option Plan and details of shares and share options subject to equity-settled share based payments are set out below.

The program allows 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 granted under the LTIP program generally have a 10-year term and vest over three years, 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)*

Details of outstanding share options 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:

	Weighted average exercise price £	Period ended 28 December 2013 Number of options	Weighted average exercise price £	Period ended 29 December 2012 Number of options
LTIPS				
Outstanding at the beginning of the period	**29.23**	**12,225**	21.18	68,270
Exercised during the period	**28.82**	**(12,225)**	24.59	(56,045)
Outstanding at the end of the period	-	-	29.23	12,225
Exercisable at the end of the period	-	-	29.23	12,225

No options were granted during the year (2012: nil).

The weighted average share price at the date of exercise of share options exercised during the period was £53.21 *(2012: £43.58).*

There were no options outstanding at the period end *(2012: average weighted exercise price of £29.23 and 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

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.

Prior to 25 March 2013, the company was a member of the PepsiCo UK pension plan providing benefits based on final pensionable pay. Because the company was 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 was determined as the contributions paid into the scheme.

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

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.