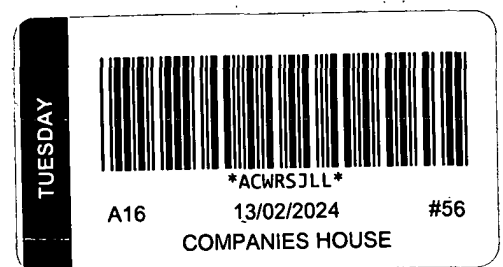


# **Walkers Snack Foods Limited**

## **Annual report and financial statements**

**Registered number 02333074**

**Year ended 31<sup>st</sup> December 2022**



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## Strategic report

The Directors present their strategic report for the year ended 31 December 2022.

### Principal activities

The principal activities of the Company are the manufacture of food and drink products for fellow Group companies.

### Business review

Turnover increased by 27% to £309,799,000 in 2022 (2021: £244,708,000) due to the reimbursement of increased costs related to manufacturing activities.

Operating profit increased to £29,595,000 in the year (2021: £23,116,000) principally due to increase in turnover, an increase in by-product income and a one-off credit of £1.3million in lieu of disposal of workforce as part of Juice business disposal.

The net defined benefit pension liability is recognised at £123,743,000 (2021: £165,986,000), in accordance with IFRIC 14, refer to note 21 for further details. Excluding the net defined benefit pension movement, the financial position of the Company at the year end remains similar to the prior year end, with key changes being in working capital balances.

On 31 March 2022 the defined benefit pension scheme was closed to future service accruals for all participants.

The business monitors progress and performance against a number of Key Performance Indicators which are analysed at the PepsiCo, Inc level in the context of the wider Group. As such, these specific KPIs have not been disclosed in these financial statements as they are not meaningful in the context of the Company's principal activities.

### Principal risks and uncertainties

The principal risks to the Company are:

- volatility in demand of PepsiCo's products caused by increased regulations and taxation; and
- financial and operational risks due to changes in laws, regulations and government policies including tariffs, taxes and movement of goods and people.

The Company anticipates, measures and manages its exposure to risk through strategic planning and management reporting. The Company has limited exposure to foreign exchange rates as the majority of costs are incurred in GBP. Commodity prices are managed through pricing agreements with fellow Group companies.

## Strategic report (continued)

### Corporate Governance

At PepsiCo, we believe strong corporate governance is the foundation for financial integrity, investor confidence and sustainable performance. PepsiCo Inc., the ultimate parent company of Walkers Snack Foods Limited, is listed in the United States of America and complies with the Corporate Governance Code as required by the Security and Exchange Commission and the Nasdaq Stock Market LLC rules. PepsiCo Inc.'s Corporate Governance Guidelines and Global Code of Conduct, which are available at [www.pepsico.com](http://www.pepsico.com) under "About", apply to all employees, including the global Chairman, the Chief Executive Officer, the Chief Financial Officer and the Controller, as well as the Board of Directors. They are available in print upon written request to the Corporate Secretary of PepsiCo at 700 Anderson Hill Road, Purchase, New York 10577.

The Company did not apply the UK Corporate Governance Code 2018 nor did it comply with the provisions of Wates Corporate Governance Principles for Large Private Companies. It did, however, comply with the Corporate Governance Guidelines and the Global Code of Conduct and its own local corporate governance code. Key corporate governance principles applied throughout the year ended 31 December 2022 include:

#### *Purpose and leadership*

Our strong tone at the top begins with our Directors, who demonstrate the Company's focus on advancing openness, honesty, fairness and integrity in the Boardroom and across the Company. We foster a corporate culture of integrity and risk awareness through the Board's oversight of PepsiCo's integrated risk management framework. We have also adopted PepsiCo's Global Code of Conduct and we oversee our compliance to this code.

#### *Board composition*

Directors oversee the Company's business and affairs, including regularly different structures as circumstances may warrant. In doing so, the Directors consider the breadth and complexity of PepsiCo's business and global footprint and regularly review the status of PepsiCo's progress with respect to key strategic initiatives.

#### *Director responsibilities*

Directors maintain effective oversight of the Company's strategy, its business and have ultimate responsibility for all business decisions, together with members of the leadership team, committees and senior management with the appropriate knowledge and experience. Company policies on governance, decision making and delegation ensure that every key decision is taken with the right safeguards in place and is underpinned by appropriate considerations and processes.

#### *Opportunity and Risk*

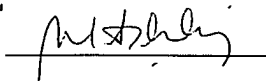
The Directors regularly discuss the key priorities of the Company, taking into consideration and adjusting the Company's long-term strategy with global economic, consumer and other significant trends, as well as changes in the food and beverage industries and regulatory initiatives.

During 2022, Directors were actively engaged in monitoring the impact of geopolitical and inflationary changes on the Company's strategy and received regular updates, formally and informally, and participated in discussions with management about key developments.

#### *Remuneration*

Directors received competitive compensation for their services in-line with PepsiCo Inc.'s policies.

By order of the Board



**M S Celebi**  
Director

09 February 2024

## Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2022.

### Proposed dividend

The Directors do not recommend the payment of a dividend for the year (2021: £nil).

### Directors

The Directors who held office during the year and up to the date of signing the financial statements were as follows:

J K Averiss  
S R Barnes (appointed 16 February 2023)  
R T Bland (appointed 1 February 2022)  
M S Celebi (appointed 1 February 2022)  
V E Evans  
J Richards  
A J Macleod (resigned 16 February 2023)  
A Macdonald (resigned 1 February 2022)  
C E Stone (resigned 1 February 2022)

### Employee communication and policy

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

The Company promotes a positive attitude by ensuring that recruitment 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. Furthermore, disabled employees have equal opportunities than other employees in relation to training, career progression and promotion.

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

### Creditor payment policy

The Company values its relationship with its many suppliers. As part of meeting its obligations under each purchase transaction the Company's policy is to pay amounts due for settlement in accordance with the negotiated terms of trade.

### Environmental policy

In order for the business to grow sustainably, the Company is actively seeking to reduce its environmental impact. Efforts have been focused on addressing climate change, resource depletion and water shortages, issues the Company believes it has the greatest ability to influence. Addressing these issues will help the business achieve its longer-term strategy of having a net positive impact on the environment.

## Streamlined Energy and Carbon reporting (SECR) Statement

### Introduction

The below statement contains Walkers Snack Foods Limited's annual energy consumption, associated relevant greenhouse gas emissions, and additional related information, as required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

### Methodology

The methodology applied to the calculation of Greenhouse Gas emissions is the 'GHG Protocol Corporate Accounting and Reporting Standard'. An 'operational control' boundary has been applied. Carbon conversion factors have been taken from 'UK Government GHG Conversion Factors for Company Reporting – 2022'. Emissions are reported as CO<sub>2</sub>e. Electricity emissions have been reported as both 'location' and 'market-based'.

### Energy Use and Greenhouse Gas Emissions

The table below shows the total annual UK energy use associated with the consumption of electricity, natural gas and other fuels combusted on-site, and fuel consumed for relevant business transport purposes, for the period 1st January - 31st December 2022, and a comparison with 2021.

## Directors' report (continued)

| Energy Consumption and Emissions                           | 2022           | 2021           | % Change (2021-2022) |
|--|----------------|----------------|----------------------|
| On-site combustion (MWh)                                   | 366,588        | 325,270        |                      |
| Electricity (MWh)  | 86,666         | 84,825         |                      |
| Road Transport (MWh)                                       | 4,009          | 2,991          |                      |
| <b>Total Energy (MWh)</b>                                  | <b>457,263</b> | <b>413,086</b> | <b>11%</b>           |
| Scope 1 Emissions (tCO <sub>2</sub> e)                     | 65,717         | 59,672         |                      |
| Scope 2 Emissions - location based (tCO <sub>2</sub> e)    | 15,936         | 17,261         |                      |
| Scope 2 Emissions - market based (tCO <sub>2</sub> e)      | 0              | 0              |                      |
| Scope 3 Emissions (tCO <sub>2</sub> e)                     | 74             | 21             |                      |
| <b>Total Emissions - location based (tCO<sub>2</sub>e)</b> | <b>81,727</b>  | <b>76,954</b>  | <b>6%</b>            |
| <b>Total Emissions - market based (tCO<sub>2</sub>e)</b>   | <b>65,791</b>  | <b>59,693</b>  | <b>10%</b>           |
| <b>Emissions Intensity (tCO<sub>2</sub>e/£m turnover)</b>  | <b>264</b>     | <b>314</b>     | <b>-16%</b>          |

### Emissions Intensity

For purposes of baselining and ongoing comparison, it is required to express the emissions using a carbon intensity metric. The intensity metric chosen is £m turnover. The resultant emissions intensity (location-based emissions) is 264 tCO<sub>2</sub>e/£m, which is a 16% reduction from 2021.

### Energy Efficiency Action

Walkers Snack Foods Ltd has undertaken several activities to reduce our energy consumption and carbon emissions during 2022. At our Cupar site we currently in the process of planning application for a solar PV farm to generate renewable electricity and began discussions around biomass energy. We have also implemented several energy efficiency measures such as reduction of excess product per sachet, boiler upgrades, hot well tank temperature regulation, insulating pipework and water tanks, removal of air compressors and reducing the pressure of active compressor from 6.8 to 6.1 bar.

At our Skelmersdale site we are in the process of metering our steam to be able to measure the efficiency and improve performance whilst the steam traps and condensate return have been either serviced, replaced, or improved to establish optimised performance of existing equipment. We have installed a new compressor controller to optimise the six compressors running to meet demands efficiently. There is also a focus on waste reduction for the operations team as reduced waste ensures efficient use of resources.

### Disclosure of information to the 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. 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 donations

The Company made no political donations in the year (2021: £nil).

### Section 172

Section 172 of the Companies Act 2006 requires Directors to act in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole. The Directors consider that, during the year to 31 December 2022, they have had regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the Company's employees;
- need to foster the Company's business relationships with suppliers, customers and others;
- impact of the Company's operations on the community and environment;
- desirability of the Company maintaining a reputation for high standards of business conduct, and
- need to act fairly as between members of the Company.

## Directors' report (*continued*)

In discharging its section 172 duties the Company has regard to the factors set out above. The Company also has regard to other factors which consider relevant to the decision being made. Those factors, for example, include the interests and views of its pensioners, and a commitment towards providing the necessary funding for the defined benefit pension scheme, of which both current and past employees are members. The Company acknowledges that every decision it makes will not necessarily result in a positive outcome for all of its stakeholders. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, the Company does, however, aim to make sure that its decisions are consistent and predictable.

As is normal for large companies, the Company delegates authority for day-to-day management of the Company to executives and then engage management in setting, approving and overseeing the execution of the business strategy and related policies. The Company reviews risk and compliance, legal, pensions, and health and safety matters on a regular basis. The Company also reviews other areas over the course of the financial year including the Company's financial and operational performance, stakeholder-related matters, diversity and inclusivity; and corporate responsibility matters.

The views and the impact of the Company's activities on the Company's stakeholders (including its employees, pensioners, customers and suppliers) are an important consideration for it when making relevant decisions. While there are cases where the Board itself judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of both the stakeholders and the PepsiCo Group means that generally stakeholder engagement may take place at an operational or Group level. The Company finds that as well as being a more efficient and effective approach, this also helps it achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company.

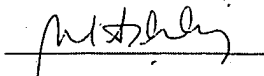
As a subsidiary of PepsiCo Inc., the Directors are assisted in these matters by the Group governance structures, procedures and policies while they also benefit from the expertise of Group functions such as human resources, legal, and internal audit. Whilst precedence is given to long term benefits, the Directors will consider whether these are outweighed by short term impacts in reaching their conclusions.

The Company is part of the wider PepsiCo Inc. group, which strives to maintain its reputation for high standards and is responsible for ensuring that the Group acts fairly between its members.

### 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



**M S Celebi**  
Director

09 February 2024

450 South Oak Way  
Green Park  
Reading  
RG2 6UW

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

The Directors are responsible for preparing the Annual Report, 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 year. 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WALKERS SNACK FOODS LIMITED**

### **Opinion**

We have audited the financial statements of Walkers Snack Foods Limited ("the Company") for the year ended 31 December 2022 which comprise the Balance Sheet, the Profit and Loss Account and Other Comprehensive Income, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources over this period were:

- The impact of a significant business continuity issue affecting the Company or those of its suppliers;

We also considered less predictable but realistic second order impacts, such as the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources.

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible, downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the financial forecasts.

We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks and dependencies

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WALKERS SNACK FOODS LIMITED** *(continued)*

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

### **Fraud and breaches of laws and regulations – ability to detect**

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management, directors and sales staff.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets/ recent revisions to guidance/ our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates such as pension assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue is earned from a single type of simple transaction, the provision of manufacturing services to fellow PepsiCo Inc. affiliates.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Company-wide fraud risk management controls.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included journal entries that are representative of transactions/ events outside the normal course of business or normal business practice, Journal entries made by individuals who typically do not make journal entries, that we would not expect to make journal entries or are not authorized to post journal entries, journal entries made to unrelated accounts, journal entries made to unusual or seldom-used accounts, journal entries posted by those with two or more user IDs and material post-close journals or other adjustments.

#### *Identifying and responding to risks of material misstatement related to compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and others management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WALKERS SNACK FOODS LIMITED *(continued)***

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, pensions legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, regulatory capital and liquidity, Food Standard Agency requirements and certain aspects of company legislation recognising the nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WALKERS SNACK FOODS LIMITED (continued)**

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern; disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

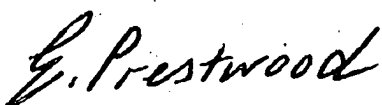
### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



**Emma Prestwood (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
KPMG LLP  
Two Forbury Place  
33 Forbury Rd  
Reading  
RG1 3AD  
9 February 2024

**Profit and loss account and comprehensive income**  
*for the year ended 31 December 2022*

|  | Note | 2022<br>£000     | 2021<br>£000     |
|--|------|------------------|------------------|
| Turnover   | 2    | 309,799          | 244,708          |
| Cost of sales  |      | <u>(260,288)</u> | <u>(200,717)</u> |
| <b>Gross profit</b>  |      | <b>49,511</b>    | <b>43,991</b>    |
| Administrative expenses  | 3    | (25,463)         | (23,535)         |
| Other operating income   | 3    | 5,922            | 3,967            |
| Other operating expense  |      | <u>(375)</u>     | <u>(1,307)</u>   |
| <b>Operating profit</b>  |      | <b>29,595</b>    | <b>23,116</b>    |
| Interest receivable and similar income   | 6    | 3,462            | 1,680            |
| Interest payable and similar expenses  | 7    | <u>(4,671)</u>   | <u>(2,597)</u>   |
| <b>Profit before taxation</b>  |      | <b>28,386</b>    | <b>22,199</b>    |
| Tax (expense)/ credit  | 8    | <u>(3,756)</u>   | <u>1,214</u>     |
| <b>Profit for the year</b>   |      | <b>24,630</b>    | <b>23,413</b>    |
| <b>Other comprehensive income</b>  |      |                  |                  |
| <i>Items that will not be reclassified to profit and loss</i>                      |      |                  |                  |
| Remeasurements of defined benefit liability  | 21   | (2,951)          | (9,666)          |
| Deferred tax on items that will not be reclassified subsequently to profit or loss | 19   | <u>(131)</u>     | <u>2,416</u>     |
| <b>Total comprehensive profit</b>  |      | <b>21,548</b>    | <b>16,163</b>    |

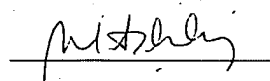
All gains and losses in the current and prior year are derived from continuing activities.

The notes on pages 14 to 33 form part of these financial statements.

**Balance sheet**  
as at 31 December 2022

|  | Note | 31 December<br>2022<br>£000 | 31 December<br>2021<br>£000 |
|--|------|-----------------------------|-----------------------------|
| <b>Fixed assets</b>  |      |                             |                             |
| Intangible assets  | 9.   | 36,384                      | 36,384                      |
| Tangible assets  | 10   | 293,886                     | 254,888                     |
| Investments  | 12   | 100                         | 100                         |
| Deferred tax asset   | 19   | 22,699                      | 27,188                      |
|  |      | <b>353,069</b>              | <b>318,560</b>              |
| <b>Current assets</b>  |      |                             |                             |
| Stocks   | 13   | 9,404                       | 7,439                       |
| Debtors  | 14   | 321,400                     | 172,203                     |
| Cash at bank and in hand                                       |      | 86,001                      | 105,934                     |
|  |      | <b>416,805</b>              | <b>285,576</b>              |
| <b>Creditors: amounts falling due within one year</b>          | 15   | <b>(349,914)</b>            | <b>(157,937)</b>            |
| <b>Net current assets</b>                                      |      | <b>66,891</b>               | <b>127,639</b>              |
| <b>Total assets less current liabilities</b>                   |      | <b>419,960</b>              | <b>446,199</b>              |
| <b>Creditors: amounts falling due after more than one year</b> | 16   | <b>(4,406)</b>              | <b>(8,185)</b>              |
| <b>Provisions for liabilities</b>                              |      |                             |                             |
| Provisions   | 18   | -                           | (1,178)                     |
| Pension liability  | 21   | (123,743)                   | (165,986)                   |
|  |      | <b>(123,743)</b>            | <b>(167,164)</b>            |
| <b>Net assets</b>  |      | <b>291,811</b>              | <b>270,850</b>              |
| <b>Capital and reserves</b>                                    |      |                             |                             |
| Called up share capital  | 20   | 310,310                     | 310,310                     |
| Share premium account  | 20   | 18,771                      | 18,771                      |
| Profit and loss account  |      | (37,270)                    | (58,231)                    |
| <b>Shareholder's funds</b>                                     |      | <b>291,811</b>              | <b>270,850</b>              |

The financial statements of Walkers Snack Foods Limited, company number 02333074, were approved by the board of Directors on 09 February 2024 and were signed on its behalf by:



**M S Celebi**  
Director

The notes on pages 14 to 33 form part of these financial statements.

**Statement of changes in equity**  
*for the year ended 31 December 2022*

|   | Share<br>capital<br>£000 | Share<br>premium<br>£000 | Profit and<br>loss account<br>£000 | Total<br>equity<br>£000 |
|---|--------------------------|--------------------------|------------------------------------|-------------------------|
| Balance at 31 December 2020                                     | 310,310                  | 18,771                   | (75,545)                           | 253,536                 |
| <i>Total comprehensive income for the year</i>                  |                          |                          |                                    |                         |
| Profit or loss  | -                        | -                        | 23,413                             | 23,413                  |
| Other comprehensive income                                      | -                        | -                        | (7,250)                            | (7,250)                 |
| Total comprehensive income                                      | -                        | -                        | 16,163                             | 16,163                  |
| <i>Transactions with owners, recorded directly in equity</i>    |                          |                          |                                    |                         |
| Credit in relation to share based payments charged              | -                        | -                        | 402                                | 402                     |
| Current tax charge in respect of share based payments           | -                        | -                        | 673                                | 673                     |
| Deferred tax credit in respect of share based payments          | -                        | -                        | 774                                | 774                     |
| Payment to ultimate parent company in relation to share options | -                        | -                        | (698)                              | (698)                   |
| Total contributions by and distributions to owners              | -                        | -                        | 1,151                              | 1,151                   |
| <b>Balance at 31 December 2021</b>                              | <b>310,310</b>           | <b>18,771</b>            | <b>(58,231)</b>                    | <b>270,850</b>          |
|   |                          |                          |                                    |                         |
|   | Share<br>capital<br>£000 | Share<br>premium<br>£000 | Profit and<br>loss account<br>£000 | Total<br>equity<br>£000 |
| Balance at 1 January 2022                                       | 310,310                  | 18,771                   | (58,231)                           | 270,850                 |
| <i>Total comprehensive income for the year</i>                  |                          |                          |                                    |                         |
| Profit or loss  | -                        | -                        | 24,630                             | 24,630                  |
| Other comprehensive income                                      | -                        | -                        | (3,082)                            | (3,082)                 |
| Total comprehensive income                                      | -                        | -                        | 21,548                             | 21,548                  |
| <i>Transactions with owners, recorded directly in equity</i>    |                          |                          |                                    |                         |
| Credit in relation to share based payments charged              | -                        | -                        | 328                                | 328                     |
| Current tax relief in respect of share based payments           | -                        | -                        | 444                                | 444                     |
| Payment to ultimate parent company in relation to share options | -                        | -                        | (1,359)                            | (1,359)                 |
| Total contributions by and distributions to owners              | -                        | -                        | (587)                              | (587)                   |
| <b>Balance at 31 December 2022</b>                              | <b>310,310</b>           | <b>18,771</b>            | <b>(37,270)</b>                    | <b>291,811</b>          |

The notes on pages 14 to 33 form part of these financial statements.

## Notes to 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.

#### 1.1 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

Walkers Snacks Foods Limited (the "Company") is a private company incorporated, domiciled and registered in the UK. The registered number is 02333074 and the registered address is 450 South Oak Way, Green Park, Reading, RG2 6UW. The Company is limited by shares. By virtue of section 401 of the Companies Act 2006 the Company, being the wholly owned subsidiary undertaking of PepsiCo, Inc., an undertaking incorporated in the United States of America, is exempt from the requirement to prepare and deliver group financial statements. Copies of the PepsiCo, Inc. Consolidated financial statements are available from its registered office as disclosed in note 23.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("UK-adopted IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the consolidated financial statements of PepsiCo, Inc. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.
- The requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group.
- IFRS 2 *Share Based Payments* in respect of group settled share based payments.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 24.

#### 1.2 Going concern

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 Strategic 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 23.

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 its exposures to credit risk and liquidity risk.



## Notes to the financial statements (continued)

PepsiCo's operations in the UK are intrinsically linked to each other due to the organisational structure. The principal activities of the Company are the manufacture of food and drink products for fellow Group companies. The PepsiCo Inc. subsidiaries based in the UK and ultimate parent has significant resources available to them in order to continue to support operations for at least 12 months from the date of approval of these financial statements and has demonstrated resilience throughout the changes in the macro-economic environment. The company meets its day to day working capital requirements from intercompany loan and trading balances with the group companies headed by the ultimate parent company. The company is also part of the cash pooling arrangement with fellow subsidiaries, which allows for fast access to cash, an agreed overdraft with the bank, and also a cross guarantee of £200 million, which is currently undrawn.

The directors have also performed a going concern assessment which indicates that in both the base and reasonably plausible downsides scenario, such as macroeconomic uncertainty due to changes in laws and regulations & future product demand, the company will have sufficient funds to meet its liabilities as they fall due during the going concern assessment period.

On the basis of their assessment of the Company's financial position and cashflows including plausible downside scenarios, the Company's Directors have a reasonable expectation that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from date of approval of the financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### 1.3 Fixed assets and depreciation

Tangible fixed assets are stated at cost/deemed cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

|                                   |               |
|-----------------------------------|---------------|
| Freehold buildings                | 35 years      |
| Long Leasehold land and buildings | life of lease |
| Plant and machinery               | 3 to 25 years |

### 1.4 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into on or after 29 December 2019.

#### As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'creditors amounts falling due in/ after one year' in the statement of financial position.

#### *Short term leases and leases of low-value assets*

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. Short-term leases are leases with a lease term of 12 months or less. The low value assessment is performed on the underlying asset, based on the value when new, on a lease-by-lease basis. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### 1.5 Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

### 1.6 Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The Directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any year is properly made by reference only to any impairment that may have arisen. The effect on the financial statements of this departure is not deemed to be material.

### 1.7 Fixed asset investments

Fixed asset investments in subsidiaries are stated at cost less any provision for impairment.

The Company assesses at each reporting date whether an asset may be impaired. If any such indicator exists, the Company tests for impairment by estimating the recoverable amount. If the recoverable amount is less than the carrying value of an asset, an impairment loss is required.

### 1.8 Impairment excluding stocks and deferred tax assets

#### *Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets are reviewed at each reporting date to determine whether there are any indications of impairment. If any such indications exist, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of those of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is reversed if and only if the reasons for the impairment have ceased to apply.

In respect of other assets, impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### 1.9 Employee benefits

##### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the year during which services are rendered by employees.

##### *Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that has maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

The pension scheme surplus, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet. To the extent that contributions payable will not be available as a refund after they are paid into the plan, a liability is recognised at the point the obligation arises, which is the point at which the minimum funding guarantee is agreed.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method as at 31 December each year. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The Company's employees are members of a Group wide defined benefit pension plan. As per the stated Group policy, the net defined benefit cost of the pension plan is recognised fully in the profit and loss of the Company, as a sponsoring employer of the scheme.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

The contributions payable by other participating employers are cross-charged by the Company and recognised as a credit in the profit or loss. The other sponsoring employers recognise their share of contributions payable as a cost in their profit or loss.

The contributions payable by other sponsoring employers are determined on the following basis:

Ordinary contributions – allocated based on total staff costs incurred for the year across sponsoring employers.

Special contributions – allocated based on both total staff costs incurred and operating profit (before pension costs) across sponsoring employers. The operating profit allocation to other sponsoring employers is capped to prevent those companies from becoming loss making (before tax) in the applicable period.

On 31 March 2022 the defined benefit pension scheme was closed to future service accruals for all participants.

#### *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### *Termination benefits*

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value where material.

#### *Share-based payment transactions*

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 year 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.

Recharges from the ultimate parent company in respect of options granted to the Company's employees are recorded as a capital contribution directly in retained earnings.

### 1.10 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

#### *Trade and other debtors*

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

#### *Cash at bank and in hand*

Cash and cash equivalents include cash on hand, unrestricted balances held with banks and highly liquid financial assets with original maturities of less than three months, which are subject to an insignificant credit risk, and are used by the entity in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position. Bank overdrafts that are repayable on demand are shown in Creditors: amounts falling due within one year.

#### *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

#### *Trade and other creditors*

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### 1.11 Stocks

Stocks, which represent engineering spares, are stated at the lower of cost and net realisable value. Actual purchase cost is used in determining cost.

#### 1.12 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

#### 1.13 Expenses

Short-term and low-value lease payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

#### *Interest receivable and Interest payable*

Interest payable and similar expenses include interest payable recognised in profit or loss using the effective interest method and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

#### 1.14 Taxation

The benefit/ expense for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

#### 1.15 Turnover

IFRS 15 provides a single, principle-based, five-step model to be applied to all sales contracts, based on the transfer of control of goods and services to customers. Contracts entered into by the Company generally include a single performance obligation. The Company manufactures food and drinks products on behalf of PepsiCo Inc. affiliates and earns a fee for this activity.

## Notes to the financial statements (continued)

### 2 Analysis of turnover

The Company operates in only one class of business, namely the manufacture of food and drink products on behalf of fellow Group companies. Turnover is mainly derived within the UK and exports are not significant to the Company. Accordingly, the Company has not prepared any segmental analysis. Products and services are transferred at a point in time.

### 3 Expenses and Auditors remuneration

Included in profit and loss are the following:

|   | 2022<br>£000 | 2021<br>£000 |
|---|--------------|--------------|
| Auditor's remuneration:                       |              |              |
| Audit of these financial statements           | 399          | 175          |
| Audit of fellow Group undertakings            | 156          | 156          |
| Depreciation on fixed assets (note 10)        | 28,403       | 26,741       |
| Depreciation of right of use assets (note 11) | 3,032        | 3,046        |
| Restructuring costs                           | 128          | 1,178        |
| Other operating income                        | (5,922)      | 3,967        |

Restructuring costs relates to various productivity initiatives undertaken during the current and prior years. Provisions of £Nil (2021: £1,178,000) are held at the year end in relation to these projects.

Other operating income includes £3 million of by-product revenue and a one-off credit of £1.3million in lieu of the disposal of workforce as part of Juice business disposal.

### 4 Directors' remuneration

|  | 2022<br>£000 | 2021<br>£000 |
|--|--------------|--------------|
| Directors' remuneration                              | 751          | 588          |
| Amounts receivable under long term incentive schemes | 299          | 212          |
| Pension contributions                                | 123          | 93           |
|  | <u>1,173</u> | <u>893</u>   |

The remuneration of the highest paid Director apportioned to this Company including long term incentive schemes is £458,000 (2021: £352,000). They are a member of a defined benefit scheme under which their total accrued pension at the year end was £122,000 (2021: £94,000). During the year the highest paid Director was eligible to participate in the Group's share option programmes and exercised share options under long term incentive schemes.

|  | 2022     | 2021     |
|--|----------|----------|
| Number of Directors for whom retirement benefits are accruing under defined benefit pension schemes                              | <u>3</u> | <u>3</u> |
| Number of Directors who exercised share options  | <u>3</u> | <u>3</u> |
| Number of Directors in respect of whose qualifying services shares were received or receivable under long-term incentive schemes | <u>3</u> | <u>3</u> |

## Notes to the financial statements (continued)

### 5 Staff numbers and costs

The average number of persons employed by the Company (including Directors) during the year, analysed by category, was as follows:

|                               | 2022         | 2021         |
|-------------------------------|--------------|--------------|
| Production                    | 2,418        | 2,606        |
| Management and administration | 654          | 225          |
|                               | <u>3,072</u> | <u>2,831</u> |

The aggregate payroll costs of these persons were as follows:

|                                | 2022<br>£000   | 2021<br>£000   |
|--------------------------------|----------------|----------------|
| Wages and salaries             | 124,142        | 102,626        |
| Other pension costs (note 21)  | (21,729)       | 13,348         |
| Social security costs          | 5,792          | 7,175          |
| Share based payments (note 21) | 328            | 402            |
|                                | <u>108,533</u> | <u>123,551</u> |

### 6 Interest receivable and similar income

|  | 2022<br>£000 | 2021<br>£000 |
|--|--------------|--------------|
| Interest receivable on bank deposits               | 3,462        | 1,282        |
| Interest receivable on loans to Group undertakings | -            | 221          |
| Foreign exchange gain                              | -            | 177          |
|  | <u>3,462</u> | <u>1,680</u> |

### 7 Interest payable and similar expenses

|  | 2022<br>£000 | 2021<br>£000 |
|--|--------------|--------------|
| Interest payable on loans from Group undertakings              | 832          | 558          |
| Net interest on net defined benefit plan liabilities (Note 21) | 1,972        | 1,659        |
| Interest payable on bank overdrafts                            | 1,730        | 167          |
| Interest payable on lease liabilities (Note 11)                | 83           | 213          |
| Foreign exchange loss  | 54           | -            |
|  | <u>4,671</u> | <u>2,597</u> |

## Notes to the financial statements (continued)

### 8 Taxation

*Recognised in the profit and loss account*

|   | 2022<br>£000 | 2021<br>£000   |
|---|--------------|----------------|
| <i>UK corporation tax</i>   |              |                |
| <i>Current tax</i>  |              |                |
| Current tax on income for the period                              | -            | 1,772          |
| Adjustments in respect of prior periods                           | (864)        | (31)           |
| Total current tax charge  | (864)        | 1,741          |
| <i>Deferred tax (Note 19)</i>                                     |              |                |
| Origination/reversal of timing differences                        | 4,621        | 3,690          |
| Adjustments in respect of prior periods                           | (1)          | -              |
| Effect of tax rate change on opening balance                      | -            | (6,645)        |
| Total deferred tax charge   | 4,620        | (2,955)        |
| <b>Tax expense</b>  | <b>3,756</b> | <b>(1,214)</b> |
| <i>Tax recognised in other comprehensive income</i>               |              |                |
| Deferred tax on remeasurements of defined benefit liability/asset | (131)        | (3,190)        |
| Total tax recognised in other comprehensive income                | (131)        | (3,190)        |
| <i>Tax recognised in equity</i>                                   |              |                |
| Current tax relief in relation to share options exercise          | 267          | 673            |
| Total tax recognised in equity                                    | 267          | 673            |

*Factors affecting the tax charge for the current period*

The tax charge (2021: credit) for the period is higher (2021: lower) than the aggregated standard rate of corporation tax in the UK for the period of 19.0% (2021: 19.0%). The differences are explained below:

|   | 2022<br>£000 | 2021<br>£000 |
|---|--------------|--------------|
| <i>Reconciliation of effective tax rate</i>               |              |              |
| Profit after tax  | 24,630       | 23,413       |
| Total tax expense/ (credit)                               | 3,756        | (1,214)      |
| Profit excluding taxation                                 | 28,386       | 22,199       |
| Tax using UK corporation rate at 19.0% (2021: 19.0%)      | 5,393        | 4,218        |
| Permanent differences (depreciation on ineligible assets) | (1,582)      | -            |
| Non-deductible expenses                                   | 286          | 673          |
| Adjustments to tax charge in respect of previous periods  | (864)        | (31)         |
| Deferred tax recognised in OCI                            | 131          | (6,074)      |
| Adjustments to brought forward values                     | (28)         | -            |
| Remeasurement of deferred tax for changes in tax rates    | 1,285        | -            |
| Movement in deferred tax not recognised                   | (865)        | -            |
| Total tax expense/(credit)                                | 3,756        | (1,214)      |

*Factors that may affect future tax charges*

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Company's future current tax charge accordingly. As such, the deferred tax has been calculated at a rate of 25% being the enacted rate at the balance sheet date.



## Notes to the financial statements (continued)

### 9 Intangible fixed assets

|                              |             |
|------------------------------|-------------|
| <b>Goodwill</b>              | <b>£000</b> |
| <i>Cost</i>                  |             |
| At beginning and end of year | 36,384      |
| <i>Amortisation</i>          |             |
| At beginning and end of year |             |
| <i>Net book value</i>        |             |
| At 31 December 2022          | 36,384      |
| At 31 December 2021          | 36,384      |

#### Impairment testing

Goodwill considered significant in comparison to the Company's total carrying amount of such assets has been allocated to appropriate cash generating units. Goodwill is tested annually for impairment with reference to carrying value and value in use. This has been estimated using cash flows from the most recent forecasts prepared by management. The key assumptions for the impairment tests and cash flow projections are the discount rate, and average growth rates for five years including long term growth rates. As a result of this assessment no impairment was deemed necessary.

### 10 Tangible fixed assets

|  | Freehold<br>land and<br>buildings<br>£000 | Long<br>leasehold<br>land and<br>buildings<br>£000 | Plant and<br>machinery<br>£000 | Total<br>£000  |
|--|---|--|--------------------------------|----------------|
| <i>Cost</i>                                    |   |  |                                |                |
| At beginning of year 1 January 2022            | 131,507                                   | 28,149   | 522,324                        | 681,980        |
| Additions                                      | 12,089                                    | 436  | 53,264                         | 65,789         |
| Transfers in                                   | 161                                       | -  | 4,053                          | 4,214          |
| Disposals                                      | (365)                                     | -  | (3,877)                        | (4,242)        |
| <b>At end of year 31 December 2022</b>         | <b>143,392</b>                            | <b>28,585</b>                                      | <b>575,764</b>                 | <b>747,741</b> |
| <i>Accumulated depreciation and impairment</i> |   |  |                                |                |
| At beginning of year 1 January 2022            | 65,074                                    | 15,378   | 346,640                        | 427,092        |
| Depreciation charge for year                   | 8,247                                     | 177  | 19,979                         | 28,403         |
| Transfers in                                   | 61  | -  | 1,470                          | 1,531          |
| Disposals                                      | (260)                                     | -  | (2,911)                        | (3,171)        |
| <b>At end of year 31 December 2022</b>         | <b>73,122</b>                             | <b>15,555</b>                                      | <b>365,178</b>                 | <b>453,855</b> |
| <i>Net book value</i>                          |   |  |                                |                |
| At 31 December 2022                            | 70,270                                    | 13,030   | 210,586                        | 293,886        |
| At 31 December 2021                            | 66,433                                    | 12,771   | 175,684                        | 254,888        |

The cost of freehold land and buildings includes £7,786,000 (2021: £7,786,000) of freehold land, which is not depreciated.

Included within this cost are the right of use assets of £6,603,000, see note 11 for further details.

## Notes to the financial statements (continued)

### 11 Leases

#### Right-of-use assets

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as property, plant and equipment (see note 10):

|                                       | Long<br>leasehold<br>land and<br>buildings<br>£000 | Plant and<br>machinery<br>£000 | Total<br>£000 |
|---------------------------------------|--|--------------------------------|---------------|
| Balance as at 31 December 2020        | 12,316   | 261                            | 12,577        |
| Depreciation charge for year          | (2,879)  | (167)                          | (3,046)       |
| <b>Balance as at 31 December 2021</b> | <b>9,437</b>                                       | <b>94</b>                      | <b>9,531</b>  |
| Balance as at 1 January 2022          | 9,437  | 94                             | 9,531         |
| Additions to right-of-use assets      | -  | 104                            | 104           |
| Depreciation charge for year          | (2,935)  | (97)                           | (3,032)       |
| <b>Balance as at 31 December 2022</b> | <b>6,502</b>                                       | <b>101</b>                     | <b>6,603</b>  |

#### Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the year:

|                                       | £000         |
|---------------------------------------|--------------|
| Balance as at 1 January 2022          | 9,531        |
| Additions                             | 104          |
| Accretion of interest (note 7)        | 83           |
| Repayments                            | (3,857)      |
| <b>Balance as at 31 December 2022</b> | <b>5,861</b> |
| Current (note 15)                     | 3,068        |
| Non-current (note 16)                 | 2,793        |
|                                       | <b>5,861</b> |

The following amounts have been recognised in profit and loss for which the Company is a lessee:

|                                       | 31 December<br>2022<br>£000 | 31 December<br>2021<br>£000 |
|---------------------------------------|-----------------------------|-----------------------------|
| Interest expense on lease liabilities | 83                          | 213                         |
| Depreciation charge for year          | 3,032                       | 3,046                       |
|                                       | <b>3,115</b>                | <b>3,259</b>                |

Expenses relating short-term leases and low-value assets during the year were £266,070 (2021: £165,000).

## Notes to the financial statements (continued)

### 12 Investments

|                                     |             |
|-------------------------------------|-------------|
| <b>Shares in Group undertakings</b> | <b>£000</b> |
| <i>Cost</i>                         |             |
| At beginning and end of year        | <u>100</u>  |
| <i>Impairment</i>                   |             |
| At beginning and end of year        | <u>-</u>    |
| <i>Net book value</i>               |             |
| At 31 December 2022                 | <u>100</u>  |
| At 31 December 2021                 | <u>100</u>  |

The Company owns 99% of the ordinary shares of £1 each in the company noted below:

| Held directly                           | Country of incorporation | Registered address                                | Status  |
|---|--------------------------|---|---------|
| PepsiCo UK Pension Plan Trustee Limited | Great Britain            | 450, South Oak Way, Green Park, Reading, RG2 6UW. | Dormant |

By virtue of section 400 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 undertaking as set out in note 23.

### 13 Stocks

|                         | 31 December<br>2022<br>£000 | 31 December<br>2021<br>£000 |
|-------------------------|-----------------------------|-----------------------------|
| Engineering spare parts | <u>9,404</u>                | <u>7,439</u>                |

The above relates to machine parts held for the repair of plant and equipment. The spares recognised as cost of sales in the year amount to £1,210,902 (2021: £2,132,000). The write down of spares for the year amounted to £1,172,746 (2021: £58,000), these are also included in cost of sales.

### 14 Debtors

|   | 31 December<br>2022<br>£000 | 31 December<br>2021<br>£000 |
|---|-----------------------------|-----------------------------|
| Amounts owed by fellow Group undertakings | 290,717                     | 139,722                     |
| Prepayments and accrued income            | 8,219                       | 3,426                       |
| Corporation tax recoverable               | -                           | 7,527                       |
| VAT recoverable                           | 17,206                      | 11,692                      |
| Trade debtors                             | 5,258                       | 9,836                       |
|   | <u>321,400</u>              | <u>172,203</u>              |

Amount owed by fellow Group undertakings are unsecured, interest free with no fixed payment date and are payable on demand. Amount owed by fellow Group undertakings includes an interest bearing intercompany loan of £5,546,000 (2021: £5,463,000). Further details on the terms of this loan are disclosed in note 17.

## Notes to the financial statements (continued)

### 15 Creditors: amounts falling due within one year

|   | 31 December<br>2022<br>£000 | 31 December<br>2021<br>£000 |
|---|-----------------------------|-----------------------------|
| Accruals and deferred income              | 39,427                      | 32,595                      |
| Amounts owed to fellow Group undertakings | 19,839                      | 79,198                      |
| Trade creditors                           | 74,421                      | 37,960                      |
| Overdraft                                 | 208,950                     | -                           |
| Lease liabilities (note 11)               | 3,068                       | 3,018                       |
| Other taxation and social security        | 3,364                       | 1,130                       |
| Corporation tax payable                   | 845                         | 4,036                       |
|   | <u>349,914</u>              | <u>157,937</u>              |

Amount owed to fellow Group undertakings comprises an interest bearing intercompany loans. Further details on the terms of these loan are disclosed in note 17.

### 16 Creditors: amounts falling due after more than one year

|                             | 31 December<br>2022<br>£000 | 31 December<br>2021<br>£000 |
|-----------------------------|-----------------------------|-----------------------------|
| Lease liabilities (note 11) | 2,793                       | 6,513                       |
| Other long term liabilities | <u>1,613</u>                | <u>1,672</u>                |
|                             | <u>4,406</u>                | <u>8,185</u>                |

### 17 Interest bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

#### Debtors

#### Terms and debt receivable schedule

|                              | Nominal interest rate  | Face value   |              | Carrying amount |              |
|------------------------------|------------------------|--------------|--------------|-----------------|--------------|
|                              |                        | 2022<br>£000 | 2021<br>£000 | 2022<br>£000    | 2021<br>£000 |
| Loan to fellow Group company | 12 months SONIA+ 0.75% | 5,546        | 5,463        | 5,546           | 5,463        |
|                              |                        | <u>5,463</u> | <u>5,463</u> | <u>5,546</u>    | <u>5,463</u> |

All loans are denominated in GBP and recoverable on demand.

#### Creditors: amount falling due within one year

#### Terms and debt repayment schedule

|                                | Nominal interest rate   | Face value    |               | Carrying amount |               |
|--------------------------------|-------------------------|---------------|---------------|-----------------|---------------|
|                                |                         | 2022<br>£000  | 2021<br>£000  | 2022<br>£000    | 2021<br>£000  |
| Loan from fellow Group company | 12 months SONIA + 0.5%  | 34,410        | 33,915        | 34,410          | 33,915        |
| Loan from fellow Group company | 12 months SONIA + 0.75% | 708           | 697           | 708             | 697           |
| Loan from fellow Group company | 12 months SONIA + 0.75% | 5,546         | 5,600         | 5,546           | 5,600         |
| Lease liabilities              | 0.94% - 1.94%           | 3,068         | 3,018         | 3,068           | 3,018         |
|                                |                         | <u>43,732</u> | <u>43,230</u> | <u>43,732</u>   | <u>43,230</u> |

All loans are denominated in GBP and are repayable on demand.

## Notes to the financial statements (continued)

### 17 Interest bearing loans and borrowings (continued)

*Creditors: amount falling due after more than one year*

*Terms and debt repayment schedule*

|                   | Nominal interest rate | Face value   |              | Carrying amount |              |
|-------------------|-----------------------|--------------|--------------|-----------------|--------------|
|                   |                       | 2022         | 2021         | 2022            | 2021         |
|                   |                       | £000         | £000         | £000            | £000         |
| Lease liabilities | 0.94% - 1.94%         | 2,793        | 6,513        | 2,793           | 6,513        |
|                   |                       | <u>2,793</u> | <u>6,513</u> | <u>2,793</u>    | <u>6,513</u> |

### 18 Provisions

|                      | Restructuring<br>£000 |
|----------------------|-----------------------|
| At beginning of year | 1,178                 |
| Amounts utilised     | (1,178)               |
| At end of year       | -                     |

Restructuring provisions relate to various productivity initiatives undertaken during the current and prior years, all provisions were utilised during 2022.

### 19 Deferred tax assets and liabilities

|                             | Assets        |               | Liabilities     |                 | Net           |               |
|-----------------------------|---------------|---------------|-----------------|-----------------|---------------|---------------|
|                             | 2022          | 2021          | 2022            | 2021            | 2022          | 2021          |
|                             | £000          | £000          | £000            | £000            | £000          | £000          |
| Tangible fixed assets       | -             | -             | (30,780)        | (15,873)        | (30,780)      | (15,873)      |
| Employee benefits           | 31,117        | 41,820        | -               | -               | 31,117        | 41,820        |
| Share-based payments        | 1,241         | 1,241         | -               | -               | 1,241         | 1,241         |
| Losses and other deductions | 21,121        | -             | -               | -               | 21,121        | -             |
| Tax assets/(liabilities)    | <u>53,479</u> | <u>43,061</u> | <u>(30,780)</u> | <u>(15,873)</u> | <u>22,699</u> | <u>27,188</u> |

*Movement in deferred tax during the period*

|                             | Balance at<br>1 January<br>2022<br>£000 | Recognised<br>in income<br>£000 | Recognised<br>in equity<br>£000 | Balance at<br>31 December<br>2022<br>£000 |
|-----------------------------|---|---------------------------------|---------------------------------|---|
| Tangible fixed assets       | (15,873)                                | (14,907)                        | -                               | (30,780)                                  |
| Employee benefits           | 41,820                                  | (10,834)                        | 131                             | 31,117                                    |
| Share-based payments        | 1,241                                   | -                               | -                               | 1,241                                     |
| Losses and other deductions | -                                       | 21,121                          | -                               | 21,121                                    |
|                             | <u>27,188</u>                           | <u>(4,620)</u>                  | <u>131</u>                      | <u>22,699</u>                             |

*Movement in deferred tax during the prior period*

|                       | Balance at<br>27 December<br>2020<br>£000 | Recognised<br>in income<br>£000 | Recognised<br>in equity<br>£000 | Balance at<br>31 December<br>2021<br>£000 |
|-----------------------|---|---------------------------------|---------------------------------|---|
| Tangible fixed assets | (5,801)                                   | (10,072)                        | -                               | (15,873)                                  |
| Employee benefits     | 25,802                                    | 13,602                          | 2,416                           | 41,820                                    |
| Share-based payments  | 1,041                                     | (574)                           | 774                             | 1,241                                     |
|                       | <u>21,042</u>                             | <u>2,956</u>                    | <u>3,190</u>                    | <u>27,188</u>                             |

## Notes to the financial statements (continued)

### 20 Called up share capital

|  | Issued share capital<br>£000 |
|--|------------------------------|
| <i>Authorised, allotted, called up and fully paid</i>        |                              |
| At 31 December 2021 – 310,310,428 Ordinary Shares of £1 each | 310,310                      |
| At 31 December 2022 – 310,310,428 Ordinary shares of £1 each | <u>310,310</u>               |

#### Share premium

The following table shows the share premium amounts as at 31 December 2022 and 31 December 2021:

|               | 31 December<br>2022<br>£000 | 31 December<br>2021<br>£000 |
|---------------|-----------------------------|-----------------------------|
| Share premium | <u>18,771</u>               | <u>18,771</u>               |
|               | <u>18,771</u>               | <u>18,771</u>               |

### 21 Employee benefits

The Company sponsors various pension schemes in accordance with local regulations and practices. Eligibility for participation in the various plans is either based on completion of a specified period of continuous service, or date of hire. The plans generally are financed by employee and employer contributions and assets are held in a separate trustee administered fund. Among these schemes are defined benefit plans as well as defined contribution plans.

#### Defined benefit scheme

The Company is a member of a defined benefit pension scheme 'PepsiCo UK Pension Plan' providing benefits based on final pensionable pay. This scheme is closed to new entrants.

The Company accounts for pension costs in accordance with International Accounting Standards (IAS) 19 *Employee Benefits*.

The movement in the defined benefit obligation and fair value of plan assets over the prior and current periods and recognised in the statement of financial position:

|   | 31 December<br>2022<br>£000 | 31 December<br>2021<br>£000 |
|---|-----------------------------|-----------------------------|
| Defined benefit obligation  | (1,158,116)                 | (1,882,551)                 |
| Fair value of plan assets   | <u>1,503,560</u>            | <u>2,089,304</u>            |
| Surplus in the plan   | 345,444                     | 206,753                     |
| Additional liability recognised due to minimum funding requirements | <u>(469,187)</u>            | <u>(372,739)</u>            |
| Net defined benefit deficit   | <u>(123,743)</u>            | <u>(165,986)</u>            |

As at 31 December 2022, the pension scheme was in an overall surplus position prior to allowance for the minimum funding rules. Based on the current schedule of contributions, the Company has recognised a liability of £123,743,000 in respect of the minimum funding requirement.

## Notes to the financial statements (continued)

### 21 Employee benefits (continued)

#### Movement in present value of the defined benefit obligation:

|  | 31 December<br>2022<br>£000 | 31 December<br>2021<br>£000 |
|--|-----------------------------|-----------------------------|
| Defined benefit obligation at the start of the period      | 1,882,551                   | 1,965,959                   |
| Current service cost                                       | 6,529                       | 30,159                      |
| Past service cost  | (14,610)                    | -                           |
| Interest expense   | 32,427                      | 23,525                      |
| Benefits paid by the plan                                  | (51,035)                    | (43,455)                    |
| Participant contributions                                  | 42                          | 164                         |
| Actuarial (gains)/ losses in other comprehensive income    | (697,788)                   | (93,801)                    |
| <b>Defined benefit obligation at the end of the period</b> | <b>1,158,116</b>            | <b>1,882,551</b>            |

#### Movement in fair value of plan assets:

|  | 31 December<br>2022<br>£000 | 31 December<br>2021<br>£000 |
|--|-----------------------------|-----------------------------|
| Fair value of plan assets at the start of the period         | 2,089,304                   | 1,892,002                   |
| Expected return on plan assets                               | 37,015                      | 23,020                      |
| Employer contributions                                       | 43,870                      | 48,352                      |
| Participant contributions                                    | 42                          | 164                         |
| Benefit payments from plan assets                            | (51,035)                    | (43,455)                    |
| Administrative expense paid from plan assets                 | (4,785)                     | (3,501)                     |
| Difference between actual and expected return on plan assets | (610,851)                   | 172,722                     |
| <b>Fair value of plan assets at the end of the period</b>    | <b>1,503,560</b>            | <b>2,089,304</b>            |

#### Plan assets comprise:

|                           | 31 December<br>2022<br>£000 | 31 December<br>2021<br>£000 |
|---------------------------|-----------------------------|-----------------------------|
| Cash and cash equivalents | 101,598                     | 2,937                       |
| Equity instruments        | 554,282                     | 1,035,208                   |
| Debt instruments          | 706,370                     | 886,252                     |
| Real estate               | 141,310                     | 164,907                     |
|                           | <b>1,503,560</b>            | <b>2,089,304</b>            |
| Quoted                    | 1,260,652                   | 1,921,460                   |
| Non quoted                | 242,908                     | 167,844                     |
|                           | <b>1,503,560</b>            | <b>2,089,304</b>            |

#### Expense recognised in profit or loss:

|   | 31 December<br>2022<br>£000 | 31 December<br>2021<br>£000 |
|---|-----------------------------|-----------------------------|
| Current service cost  | (8,081)                     | 30,159                      |
| Interest expense on obligation                                | 32,427                      | 23,525                      |
| Interest expense on effect of asset ceiling/onerous liability | 6,560                       | 1,154                       |
| Expected return on plan assets                                | (37,015)                    | (23,020)                    |
| Administrative expenses                                       | 4,785                       | 3,501                       |
|   | <b>(1,324)</b>              | <b>35,319</b>               |

## Notes to the financial statements (continued)

### 21 Employee benefits (continued)

The expense is recognised in the following line item in the profit and loss account:

|                                       | 31 December<br>2022<br>£000 | 31 December<br>2021<br>£000 |
|---------------------------------------|-----------------------------|-----------------------------|
| Administrative expenses               | (3,296)                     | 33,660                      |
| Interest payable and similar expenses | 1,972                       | 1,659                       |
|                                       | <u>(1,324)</u>              | <u>35,319</u>               |

See accounting policies note 1.8 for details on the allocation of the pension expense amongst the sponsoring employers.

### Actuarial gains and losses recognised in other comprehensive income:

|  | 31 December<br>2022<br>£000 | 31 December<br>2021<br>£000 |
|--|-----------------------------|-----------------------------|
| Effect of changes in demographic assumptions                 | 21,529                      | (3,170)                     |
| Effect of changes in financial assumptions                   | (819,595)                   | (74,941)                    |
| Effect of experience adjustments                             | 100,278                     | (15,690)                    |
| Difference between actual and expected return on plan assets | 610,851                     | (172,722)                   |
| Change in asset ceiling                                      | 89,888                      | 276,189                     |
|  | <u>2,951</u>                | <u>9,666</u>                |

### Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

|   | 31 December<br>2022 | 31 December<br>2021 |
|---|---------------------|---------------------|
| Assumptions to determine defined benefit obligation |                     |                     |
| Discount rate                                       | 4.97%               | 1.80%               |
| Salary increase rate                                | N/A                 | 3.10%               |
| Pensions-in-payment increase rate                   | 2.80%               | 3.00%               |
| Price inflation rate                                | 3.00%               | 3.10%               |
| Assumptions to determine defined benefit cost       |                     |                     |
| Discount rate                                       | 1.80%               | 1.44%               |
| Salary increase rate                                | 3.10%               | 3.10%               |
| Pensions-in-payment increase rate                   | 3.00%               | 2.75%               |
| Price inflation rate                                | 3.10%               | 2.80%               |
| Assumptions to determine service cost               |                     |                     |
| Discount rate for service cost                      | 1.77%               | 1.49%               |
| Discount rate for interest on service cost          | 1.78%               | 1.37%               |

On 25 November 2020, the UK Government and UK Statistics Authority published a formal response on the future of RPI, confirming that RPI will be aligned with CPIH from February 2030. CPIH is calculated as CPI plus owner occupiers' housing costs. As a result, the Company has calculated the RPI & CPI inflation assumptions for the scheme taking this change into account. The inflation risk premium has been set at 0.3% pre-2030 and 0.5% post-2030. For CPI, the Company has proposed allowing for a long term gap between RPI and CPI of 0.55% p.a. This reflects an RPI-CPI wedge of 100bps pre-2030 and 10bps post-2030. This method for setting the inflation assumptions is unchanged from the prior year end.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 21.8 years male, 23.5 years female.
- Future retiree (aged 40 today) upon reaching 65: 23.5 years male, 25.3 years female.

No adjustments have been made to mortality assumptions at the balance sheet date to reflect the potential effects of Covid-19 as it is too soon to make a judgement on the impact of the pandemic on future mortality improvements.



## Notes to the financial statements (continued)

### 21 Employee benefits (continued)

#### Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of a change in the respective assumptions by stated percentages as presented below.

|   | 31 December<br>2022<br>£000 | 31 December<br>2021<br>£000 |
|---|-----------------------------|-----------------------------|
| Discount rate increase by 0.25%                     | (41,000)                    | (93,000)                    |
| Salary increase rate by 0.25%                       | 18,000                      | 11,000                      |
| Life expectancy improvements rate decrease by 0.25% | (6,000)                     | (21,000)                    |
| Price inflation rate increase by 1.00%              | (151,000)                   | 60,000                      |

The above sensitivities were calculated using benefit cashflows projections produced for the last full actuarial valuation at 30 September 2020, but adjusted for the assumptions used to determine the defined benefit obligation set out above. They are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

#### Funding

Actuarial valuations of the present value of the defined benefit obligations for the scheme are carried out on a triennial basis by qualified independent actuaries. The latest full actuarial valuation was carried out at 30 September 2020; the overall pension deficit at that date was £323,000,000. To eliminate this shortfall the Company has agreed that additional contributions will be paid to the Plan by the participating employers. The Company has committed to make fixed contributions to the defined benefit pension scheme of £3.5million annually every year for 2023 and 2024, £25,000,000 annually every year from 2025 until 2027 and £75 million in 2028, to remove the shortfall from the Plan. The funding shortfall is expected to be eliminated by the end of 2028. In addition, the Company has committed to make fixed contributions to the defined benefit pension scheme of £3,500,000 annually in respect of the provision of death-in-service benefits, ill-health early retirements, and the expenses associated with administering and operating the Plan (including the PPF levy).

The sponsoring employers paid £28,500,000 in additional fixed contributions to its defined benefit plans in the year ending 31 December 2022.

At 31 December 2022 ordinary contributions amounting to £852,029 (2021: £907,000) were payable to the scheme at the year end and have been included in accruals.

On 31 March 2022 the defined benefit pension scheme was closed to future service accruals for all participants.

#### Defined contribution scheme

On 1 February 2012, the Company established a defined contribution scheme to provide benefits to new employees.

The cost of contributions to the defined contribution scheme for the year was £6,975,911 (2021: £6,809,000).

#### Share based compensation

The share based payment charge for the year was £328,363 (2021: £402,000).

Recharges from the ultimate parent company in respect of options granted to the Company's employees was £2,609,000 (2021: £698,000).

The Company's equity-settled share-based payments comprise the SharePower programme, Chairman's awards, the Restricted stock unit plan (RSUs) 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 to the financial statements (continued)

### 21 Employee benefits (continued)

Executives who are awarded long-term incentives receive stock options (LTIP) or restricted stock units (RSUs). RSUs provide a commitment to award an employee a predetermined number of shares after a vesting period has elapsed. Stock options granted under the LTIP program generally have a 10-year term and vest over three years. The RSU expense is based on the fair value of PepsiCo, Inc. shares on the date of grant and is amortized over the vesting period, generally three years.

Under the SharePower programme, stock options were granted annually to all eligible employees, based on job level or classification and length of service. 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 be exercisable according to the terms and conditions of the programme.

The weighted average share price at the date of exercise of share options exercised during the year was £124.38 and £151.53 (2021: £93.29 and £126.51).

The options outstanding at the year end have an exercise price in the range of £39.67 to £139.36 (2021: £35.34 to £111.57) and a weighted average contractual life of approximately 10 years.

### 22 Guarantees

A cross guarantee of £200,000,000 exists in respect of the bank overdrafts of the other UK Group companies at the end of the financial year (2021: £200,000,000). As at the balance sheet date, the amount drawn down on this guarantee was £nil (2021: £nil).

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

The Company is a subsidiary undertaking of PepsiCo Holdings. The ultimate parent company is PepsiCo, Inc. which is registered and incorporated in the United States of America.

The largest Group in which the results of the Company are consolidated is that headed by 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.

### 24 Accounting estimates and judgements

Preparing these financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense.

Key assumptions concerning the future and key sources of estimation uncertainty at the balance sheet date that may cause material adjustment to the carrying amounts of assets or liabilities within the next financial year include the following:

#### *Defined benefit pension schemes*

Determining the value of future defined benefit pension obligations requires the use of certain assumptions including inflation rates, salary increase and mortality rates, among others. Management estimate these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 21 for the disclosures of the defined benefit pension scheme.

#### *Impairment of goodwill*

Goodwill is not amortised but is tested annually for impairment and carried at cost less accumulated impairment losses. Future impairment review calculations require the use of estimates related to the profitability and cash generating ability of the acquired businesses and the discount rate used in discounting these projected cash flows.

### 25 Subsequent Events

There are no significant subsequent events except in the fourth quarter of 2023, the company impaired fixed assets of £5 million.

## 26 Related Parties

In the first quarter of 2022, PepsiCo Inc. sold its Tropicana, Naked and other select juice brands to PAI Partners for approximately \$3.5 billion in cash and retained a 39% non-controlling interest in a newly formed joint venture that will operate across North America and Europe. The Europe portion of the transaction was completed on 1 February 2022.

Following the sale, Walkers Snack Foods Limited entered a sub-lease transaction with Tropicana Products UK Limited, a subsidiary of PAI partners in the UK. In the year to 31 December 2022, the Company recognised a rental income of £0.4 million (2021: £nil), which is presented as a receivable from Tropicana Products UK Limited.