

PepsiCo International Limited

Annual report and financial statements

Registered number 01521219

31 December 2021



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Strategic report

The directors present their strategic report for the year ended 31 December 2021.

Principal activities

The Company's principal activity is the provision of management services, to other group companies.

Business review

The Company's key financial performance indicators during the year were as follows:

- a) Turnover increased by 1% to £458,514,000 (2020: £453,755,000).
- b) Operating profit decreased by 66% to £21,010,000 (2020: £61,893,000). In 2020, a review of inter-company pricing resulted in an increase in service fee income in 2020, and a catch up of that same fee for years 2017 to 2019.
- c) Shareholder's funds decreased by 10% to £73,505,000 (2020: £81,636,000) arising from the distribution of a dividend of £30,000,000 partially offset by the profit of the year.
- d) Company had net current assets of £39,496,000 as at the end of the year (2020: £51,907,000) principally driven by the increase in other accrued liabilities related to purchase orders executed at the end of the year and pending to pay.

The financial position of the company at the year-end remains similar to the prior period, with key changes being movements between categories of working capital such as intercompany debtors and creditors.

The business monitors progress and performance against a number of key performance indicators which are analysed at a European divisional level in the context of the wider group.

Principal risks and uncertainties

The principal risks to the Company relate to operational risks arising from the provision of management services. The directors and the management team work together, holding regular meetings, to anticipate risks and plan accordingly. Furthermore, other risks which could adversely affect the demand for management services, are potential changes in laws, regulations and government policies including tariffs, payroll taxes, withholding taxes and the movement of goods and people.

The Company anticipates measures and manages its exposure to risk through an integrated risk management framework, strategic planning and management reporting. Robust contingency plans have been put in place across the business and the Directors' have taken all reasonable steps to mitigate the potential disruption.

The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company's ultimate parent, PepsiCo Inc., to continue as a going concern.

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

We kept monitoring the potential impact of COVID-19 on our financial results and cashflows. As a result of measures implemented we currently do not expect any significant financial impacts on the business which would significantly impact on the amounts presented in these financial statements.

Section 172 statement

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 2021, 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.

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. 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, 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.

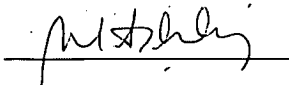
As a subsidiary of PepsiCo Inc., the directors are assisted in these matters by the group governance structures, procedures and policies while they also benefit from the expertise of group functions such as human resources, legal, and internal audit. Whilst precedence is given to long term benefits, 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.

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 the impact of the Company's activities on 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.

By order of the Board



MS Celebi
Director

8 December 2022

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2021.

Research and development activities

The company provides research and development services for fellow group companies. The total expenditure for the year ended 31 December 2021 was £48,692,000 (2020: £45,904,000)

Proposed dividend

During the year a dividend of £30,000,000 was paid (2020: £nil)

Directors

The directors who held office during the year and subsequently were as follows:

JK Averiss
AJ Macleod
CE Stone (resigned 1 February 2022)
VE Evans
MS Celebi (appointed 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 with 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 Group 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.

Streamlined Energy and Carbon reporting (SECR) Statement

The methodology that the company has 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 – 2021'. Emissions are reported as CO₂e. Electricity emissions have been reported as both 'location' and 'market-based'.

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 2021.

Table – Energy Consumption and Emissions 2021	
On-site combustion (MWh)	3,266
Electricity (MWh)	2,408
Road Transport (MWh)	0
Total Energy (MWh)	5,674
Scope 1 Emissions (tCO ₂ e)	598
Scope 2 Emissions (tCO ₂ e) – location	511
Scope 2 Emissions (tCO ₂ e) -market-based	23
Scope 3 Emissions (tCO ₂ e)	0
Total Emissions (tCO₂e)	1,132
Emissions Intensity (tCO₂e/£million turnover)	2.5

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 is 2.5 tCO₂e/£million.

Energy Efficiency Action

Pepsico International Ltd monitors and manages energy and carbon emissions closely at our UK operations, and 100% of our electricity is purchased from renewable sources.

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.

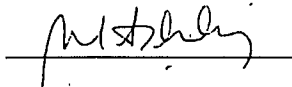
Political donations

The Company made no political donations in the year (2020: £nil).

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



MS Celebi
Director

8 December 2022

450 South Oak Way
Green Park
Reading
RG2 6UW

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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 period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 PEPSICO INTERNATIONAL LIMITED

Opinion

We have audited the financial statements of PepsiCo International Limited ("the Company") for the year ended 31st December 2021 which comprise the Profit and loss account and other comprehensive income, Balance sheet, 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 31st December 2021 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. 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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

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.

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

Fraud and breaches of laws and regulations-ability to detect

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 management 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
- 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 and 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 and judgements. 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 management services to the group.

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 some of the Company-wide fraud risk management controls.

We also 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 those posted by senior finance management, those posted and approved by the same user and those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-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 other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of noncompliance 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 and 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, anti-bribery, employment law, food standards agency requirements and certain aspects of company legislation recognising the nature of the 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 these 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.

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 5, 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.

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.

Shirley Rogan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
2 Forbury Place
33 Forbury Road
Reading
RG1 3AD



Date: 15 December 2022

Profit and loss account and other comprehensive income
for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Turnover	2	458,514	453,755
Administrative expenses	3	(437,504)	(391,862)
Operating profit		<u>21,010</u>	<u>61,893</u>
Interest receivable and similar income	6	2,679	78
Interest payable and similar charges	7	(22)	(49)
Profit on ordinary activities before taxation		<u>23,667</u>	<u>61,922</u>
Tax on profit on ordinary activities	8	(5,615)	(12,195)
Profit for the year		<u>18,052</u>	<u>49,727</u>
Total comprehensive income for the year		<u><u>18,052</u></u>	<u><u>49,727</u></u>

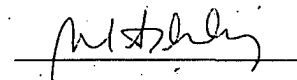
All gains and losses in the current and prior year are derived from continuing activities.

The notes to the financial statements on pages 11 to 23 form part of these financial statements.

Balance sheet
as at 31 December 2021

	Note	2021 £000	2020 £000
Fixed assets			
Tangible assets	9	28,229	29,675
Deferred tax asset	13	5,780	316
		34,009	29,991
Current assets			
Debtors	10	91,112	124,648
Cash at bank and in hand		106,280	40,208
		197,392	164,856
Creditors: amounts falling due within one year	11	(157,896)	(112,949)
Net current assets		39,496	51,907
Total assets less current liabilities		73,505	81,898
Provisions for liability	12	-	(262)
Net assets		73,505	81,636
Capital and reserves			
Called up share capital	14	20,474	20,474
Profit and loss account		53,031	61,162
Shareholder funds		73,505	81,636

The financial statements of PepsiCo International Limited, company number 01521219, were approved by the board of directors on and were signed on its behalf by:



MS Celebi
Director

8 December 2022

The notes to the financial statements on pages 11 to 23 form part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2021

	Share capital £000	Profit and loss account £000	Total Equity £000
Balance at 1 January 2021	20,474	61,162	81,636
<i>Total comprehensive income for the year</i>			
Profit and loss	-	18,052	18,052
Total comprehensive income	-	18,052	18,052
<i>Transactions with owners, recorded directly in equity</i>			
Credit in relation to share based payments charged	-	2,564	2,564
Deferred tax charge in respect of share-based payments	-	4,188	4,188
Current tax relief in respect of share-based payments	-	1,092	1,092
Payment to ultimate parent company in relation to share options exercised	-	(4,027)	(4,027)
Dividend paid to shareholders	-	(30,000)	(30,000)
Total contributions by and distributions to owners	-	(26,183)	(26,183)
Balance at 31 December 2021	20,474	53,031	73,505

	Share capital £000	Profit and loss account £000	Total Equity £000
Balance at 1 January 2020	20,474	17,180	37,654
<i>Total comprehensive income for the year</i>			
Profit and loss	-	49,727	49,727
Total comprehensive income	-	49,727	49,727
<i>Transactions with owners, recorded directly in equity</i>			
Credit in relation to share based payments charged	-	1,059	1,059
Deferred tax charge in respect of share-based payments	-	639	639
Current tax relief in respect of share-based payments	-	839	839
Payment to ultimate parent company in relation to share options exercised	-	(8,282)	(8,282)
Total contributions by and distributions to owners	-	(5,746)	(5,765)
Balance at 31 December 2020	20,474	61,162	81,636

The notes to the financial statements on pages 11 to 23 form part of these financial statements.

Notes to the financial statements

1 Accounting policies

PepsiCo International Limited (the "Company") is incorporated and domiciled in the United Kingdom.

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

Basis of preparation

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

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 17.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("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 year reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective UK-adopted IFRSs;
- 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 disclosure 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

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 17.

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

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 provision of management services, to other group companies. The UK group of companies 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 pandemic to changes in the macro economic environment. The directors have reviewed the liquidity of the company over the going concern period and consider no severe but plausible scenarios that would have a material impact on the going concern assessment either on this entity or the wider group.

The Directors have assessed the impact of the ongoing COVID-19 situation on the company's business. Based on the assessment of events that could impact the company's liquidity, the valuation of its assets, the completeness of its liabilities and its ability to continue as a going concern until at least a year from the issuance of the financial statements for the period ended 31 December, 2021, there are not deemed to be any significant impacts requiring disclosure.

Notes (continued)

1 Accounting policies (continued)

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.

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	-	50 years
Plant and machinery	-	3 to 10 years

Tangible fixed assets include amounts relating to construction in progress for which depreciation has not commenced. These amounts will be depreciated from the date the assets are brought into use.

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.

Impairment excluding 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.

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").

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.

Notes (continued)

1 Accounting policies (continued)

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 periods during which services are rendered by employees.

Defined benefit plans

The Company's employees are members of a group wide defined benefit pension plan. As per stated group policy, the net defined benefit cost of the pension plan is recognised fully by Walkers Snack Foods Limited, a sponsoring employer and another member of the group. The Company then recognises a cost equal to its contribution payable for the year in the profit or loss.

The contributions payable 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 year.

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.

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.

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 and cash equivalents

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents.

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 (continued)

1 Accounting policies (continued)

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.

Turnover

Turnover represents the income derived from the provision of management services to fellow group companies and related parties during the year. Turnover is recognised when management services are provided.

Expenses

Interest receivable and interest payable

Interest payable and similar charges 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.

Taxation

The charge 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.

Adopted IFRS not yet applied

The following Adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated :

- Amendments to IFRS 9, IAS 39 and IFRS 7 : interest Rate Benchmark Reform (effective date to be confirmed)

Notes (continued)

2 Analysis of turnover

<i>Primary geographical markets:</i>	2021 £000	2020 £000
Europe	352,161	359,425
United States of America	106,353	94,330
	<u>458,514</u>	<u>453,755</u>

<i>Timing on transfer of services:</i>	2021 £000	2020 £000
Services transferred in the year	461,730	421,217
Services transferred over time	(3,216)	32,538
	<u>458,514</u>	<u>453,755</u>

All turnover is derived from the provision of management services.

3 Expenses and auditor's remuneration

<i>Included in profit and loss are the following:</i>	2021 £000	2019 £000
Auditor's remuneration:		
Audit of these financial statements	57	46
Audit related assurance services	418	418
Depreciation and other amounts written off tangible fixed assets (note 9)	4,069	3,033
Research and Development expenditure credit	(1,110)	(2,450)
	<u>3,434</u>	<u>1,047</u>

Restructuring costs relate to various productivity initiatives. Administrative expenses includes £8,713,000 of restructuring cost this year (2020 £nil).

Research and Development expenditure credit doesn't include any true-up in relation to prior years (2020: £950,000).

Notes (continued)

4 Directors' remuneration

	2021 £000	2020 £000
Directors' emoluments	894	1,374
Amounts receivable under long term incentive schemes	426	967
Pension contributions	82	172
	<u>1,402</u>	<u>2,513</u>

The emoluments of the highest paid director apportioned to this company are £848,000 (2020: £955,000). They are a member of a defined benefit scheme under which their accrued pension at the period end was £82,000 (2020: £82,000). During the period the highest paid director was eligible to participate in the group's share option programs and exercised share options.

	2021 Number	2020 Number
Number of directors for whom retirement benefits are accruing under defined benefit pension schemes	<u>4</u>	<u>4</u>
Number of directors who exercised share options	<u>4</u>	<u>4</u>
Number of directors in respect of whose qualifying services shares were received or receivable under long-term incentive schemes	<u>4</u>	<u>4</u>

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year was 891 (2020: 843). All employees can be categorized as providing management services.

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	85,403	74,887
Social security costs	11,534	10,630
Other pension costs (note 15)	22,110	18,082
Share based payments (note 15)	2,565	1,059
	<u>121,612</u>	<u>104,658</u>

Other pension costs include defined benefit scheme deficit funding contributions of £5,919,000 (2020: £2,596,000).

Notes (continued)

6 Interest receivable and similar income

	2021 £000	2020 £000
Interest receivable on bank deposits	1,092	517
Net exchange gain / (loss)	1,587	(439)
	<u>2,679</u>	<u>78</u>

7 Interest payable and similar charges

	2021 £000	2020 £000
On bank overdrafts, loans and leases wholly repayable within five years	22	49
	<u>22</u>	<u>49</u>

8 Taxation

Recognised in the profit and loss account

UK corporation tax

	2021 £000	2020 £000
Current tax on income for the year	6,465	11,333
Adjustments in respect of prior years	426	(960)
Total current tax charge	<u>6,891</u>	<u>10,373</u>

Deferred tax (note 13)

	2021 £000	2020 £000
Origination/reversal of timing differences	(1,880)	(47)
Effect of increased tax rate	1,064	176
Adjustments in respect of prior years	(460)	1,693
Total deferred tax (credit) / charge	<u>(1,276)</u>	<u>1,822</u>

Tax charge on profit on ordinary activities

	2021 £000	2020 £000
	<u>5,615</u>	<u>12,195</u>

Corporation tax recognised in equity

	2021 £000	2020 £000
Deferred tax on income for the year	(4,188)	(639)
Deferred tax on movement in intrinsic value of share options	(1,092)	(839)
	<u>(5,280)</u>	<u>(1,478)</u>

Notes (continued)

8 Taxation (continued)

Factors affecting the tax charge for the current year

The tax charge (2020: charge) for the year is higher than the aggregated standard rate of corporation tax in the UK for the year of 19.00% (2020: 19.00%). The differences are explained below:

	2021 £000	2020 £000
<i>Reconciliation of effective tax rate</i>		
Profit for the year	18,052	49,727
Total tax expense	5,615	12,195
Profit excluding taxation	23,667	61,922
Tax using UK corporation rate at 19.00% (2020: 19.00%)	4,497	11,765
Non-deductible expenses	145	147
Rate change impact on deferred tax balances	1,064	(469)
Impact of difference in the rate used for current and deferred tax	(57)	-
Interest	-	20
Adjustments to tax charge in respect of previous years	(34)	732
Total tax expense	5,615	12,195

The Company provides services to and receives income from other PepsiCo affiliates across Europe. In 2020, the Company reviewed inter-company pricing with HMRC for the years ended 31 December 2017, 31 December 2018 and 31 December 2019. The review resulted in an increase in service fee income generated in 2020, and a catch up of that same fee for years from 2017 to 2019. The 2020 tax expense associated with the catch up from 2017 to 2019, included above, amounts to £6.2 million.

Factors that may affect future tax charges

An increase to 25% (effective April 2023) was substantively enacted in May 2021. The deferred tax assets and liabilities at 31 December 2021 have been calculated based on these rates. This change will increase in the future the current year tax impact.

9 Tangible fixed assets

	Freehold Land and buildings £000	Plant and machinery £000	(CIP) Under construction £000	Total £000
<i>Cost</i>				
At beginning of year 1 January 2021	20,139	17,717	9,293	47,149
Additions	3	3,929	(1,309)	2,623
Disposals	(2,039)	(774)	-	(2,813)
At end of year 31 December 2021	18,103	20,872	7,984	46,959
<i>Accumulated depreciation and impairment</i>				
At beginning of year 1 January 2021	5,865	11,609	-	17,474
Depreciation charge for year	635	3,037	-	3,672
Disposals	(1,723)	(693)	-	(2,416)
At end of year 31 December 2021	4,777	13,953	-	18,730
<i>Net book value</i>				
At 31 December 2021	13,326	6,919	7,984	28,229
At 31 December 2020	14,274	6,108	9,293	29,675

Notes (continued)

Right-of-use assets

Right-of-use assets related to lease properties are presented as property, plant and equipment and included within tangible fixed assets:

	Land and buildings £000	Plant and machinery £000	(CIP) Under construction £000	Total £000
<i>Cost</i>				
At beginning of year 1 January 2021	539	198	-	737
Additions	528			528
Depreciation	(721)	(172)	-	(893)
At end of year 31 December 2021	346	26	-	372

Included in freehold land and buildings is land with a cost of £1,400,000 (2020: £1,400,000) which is not depreciated.

10 Debtors

	2021 £000	2020 £000
Amounts owed by parent and fellow group undertakings	76,980	117,420
Amounts owed by undertakings in which the parent and fellow group undertakings have a participating interest	234	2,207
Other debtors	6,712	1,277
Prepayments and accrued income	2,835	3,744
Other taxation (VAT receivable)	4,387	-
	91,112	124,648

11 Creditors: amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	16,733	15,629
Amounts owed to fellow group undertakings	40,477	26,210
Lease liabilities	411	494
Social Security	2,763	2,915
Corporation Tax (net)	286	1,287
Accruals and deferred income	97,226	66,414
	157,896	112,949

The total cash outflows related to leases made during the year are £882,000 (2020: £683,000).

12 Provisions for Liabilities

	2021 £000	2020 £000
<i>Long term Lease Liabilities</i>	-	262

Notes (continued)

13 Deferred tax asset

	2021 £000	2020 £000
Deferred taxation asset	<u>5,780</u>	<u>316</u>
The elements of deferred taxation are as follows:	2021 £000	2020 £000
Difference between accumulated depreciation and capital allowances	(19,018)	(23,829)
Share based compensation	40,852	24,292
Pension	<u>1,284</u>	<u>1,199</u>
	<u>23,118</u>	<u>1,662</u>
Deferred tax asset at 25% (2020: 19%)	<u>5,780</u>	<u>316</u>
At beginning of year	316	1,499
Recognised in income (Note 8)	1,276	(1,822)
Recognised in equity	<u>4,188</u>	<u>639</u>
At the end of year	<u>5,780</u>	<u>316</u>

14 Called up share capital

	2021 £000	2020 £000
<i>Authorised, allotted, called up and fully paid</i>		
20,474,042 Ordinary Shares of £1 each	<u>20,474</u>	<u>20,474</u>

Notes (continued)

15 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's employees are members of a group wide defined benefit pension plan. As per stated group policy, the net defined benefit cost of the pension plan is recognised fully by Walkers Snack Foods Limited, a sponsoring employer and another member of the group. The Company recognises a cost equal to its contribution payable for the period in the profit or loss.

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 funding shortfall is expected to be eliminated by the end of 2028.

The pension charge for the year was £10,203,000 (2020: £12,829,000), excluding defined benefit scheme deficit funding contributions of £5,919,000 (2020: £2,596,000). It has been agreed that an employer contribution rate of 48.9% (2020: 33.9%) of pensionable pay will apply in future years.

Ordinary contributions amounting to £842,000 (2020: £781,000) 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 £5,988,000 (2020: £5,253,000).

Contributions of £442,000 (2020: £418,000) were payable to the scheme at the year end and have been included in accruals.

Share based compensation

The share-based payment charge for the year was £2,564,618 (2020: £1,058,709).

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.

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 between £93.29 and £126.51 (2020: £79.07 and £115.98).

The options outstanding at the year-end have an exercise price in the range of £35.34 to £111.57 (2020: £35.11 to £102.37) and a weighted average contractual life of approximately 10 years.

Notes *(continued)*

16 Related party disclosure

The Company provides management services to Pepsi Lipton International, a joint venture between PepsiCo, Inc. and Unilever. At the end of the year, the turnover for services provided to Pepsi Lipton International was £2,723,000 (2020: £2,466,000). As at the year end, the Company had amounts due from the joint venture of £234,000 (2020: £2,207,000).

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

The Company is a subsidiary undertaking of Walkers Snacks Limited. 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.

18 Change in significant accounting policies

There have been no significant changes in the accounting policies during this year.