Walkers Snack Services Limited

Directors' report and financial statements

Registered number 3096955

27 December 2003

Contents

Directors' report

The directors present their report and the audited financial statements for the period ended 27 December 2003.

Principal activities

The principal activity of the company during the period was both the distribution of bagged snacks and acting as a holding company.

Business review

The results for the period are shown in the profit and loss account on page 4.

Proposed dividend

The directors do not recommend the payment of a dividend *(2002: £nil).*

Directors and directors' interests

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

MR Glenn
JP Van Der Eems (resigned 22 March 2005)
M Williams
JK Averiss
SW Fraser

None of the directors who held office at the end of the financial period had any disclosable interest in the shares of the company. There were no other interests in group companies requiring disclosure under the Companies Act 1985.

Auditors

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office.

By order of the board

25/5/05

M Williams
Director + Co Secretary

1600 Arlington Business Park
Theale
Reading
Berkshire
RG7 4SA

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit for that period. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

KPMG LLP
Arlington Business Park
Theale
Reading
RG7 4SD
United Kingdom

Report of the independent auditors to the members of Walkers Snack Services Limited

We have audited the financial statements on pages 4 to 15.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 27 December 2003 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP 24/6/05

KPMG LLP
Chartered Accountants
Registered Auditor

Profit and loss account

for the Period from 28 December 2002 to 27 December 2003

	Note	Period ended 27 December 2003 £000	Period ended 28 December 2002 Restated £000
Turnover	2	**8,242**	8,790
Cost of sales		**(5,170)**	(5,575)
Gross profit		**3,072**	3,215
Distribution costs		**(2,889)**	(2,291)
Administration expenses		**(3,523)**	(52,616)
Operating loss	3	**(3,340)**	(51,692)
Interest receivable and similar income	6	**902**	398
Interest payable and similar charges	7	**(27)**	-
Loss on disposal of fixed asset investments	12	-	(10,000)
Dividend income	8	-	4,157
Loss on ordinary activities before taxation	3	**(2,465)**	(57,137)
Tax (charge)/credit on loss on ordinary activities	9	**(295)**	915
Loss for the financial period		**(2,760)**	(56,222)

There were no material recognised gains or losses in either period other than the profit for the period, which was entirely derived from continuing operations.

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

Turnover for 2002 has been restated to correctly show discounts and other trade allowances reflected as a deduction from turnover.

Balance sheet
at 27 December 2003

	Note	27 December 2003 £000	27 December 2003 £000	28 December 2002 £000	28 December 2002 £000
Fixed assets					
Intangible fixed assets	*11*		-		-
Tangible fixed assets	*10*		286		213
Investments	*12*		-		-
			286		213
Current assets					
Stocks	*13*	389		457	
Debtors	*14*	2,481		4,155	
Cash at bank and in hand		1,112		1,273	
		3,982		5,885	
Creditors: *amounts falling due within one year*	*15*	(4,996)		(4,066)	
Net current (liabilities) / assets			(1,014)		1,819
Total assets less current liabilities			(728)		2,032
Net (liabilities) / assets			(728)		2,032
Capital and reserves					
Called up share capital	*17*		20,768		20,768
Share premium account	*18*		232		232
Profit and loss account	*18*		(21,728)		(18,968)
Equity shareholders' (deficit)/funds	*19*		(728)		2,032

These financial statements were approved by the board of directors on 25/5 2005 and were signed on its behalf by:

M Williams

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

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

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £728,000 *(2002: net assets of £2,032,000),* which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided by PepsiCo, Inc., the company's ultimate parent company. PepsiCo, Inc. has provided the company with an understanding that until at least 31 December 2005 it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for repayment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of the financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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

Leases

All leases are operating leases and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Tangible fixed assets and depreciation

The cost of tangible fixed assets is their purchase cost together with any incidental expenses of acquisition

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery	-	10% per annum
Computers and office equipment	-	14 – 33% per annum
Fixtures and fittings	-	20% per annum

Investments

Investments are included at cost less amounts written off.

Taxation

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

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

Notes *(continued)*

1 Accounting policies (continued)

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Foreign currencies

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

Goodwill

Goodwill arising on the acquisition of businesses, subsidiaries and associates is capitalised and amortised through the profit and loss account in accordance with Financial Reporting Standard 10, Goodwill and Intangible Assets, over the period which, in the opinion of the directors, the value of the underlying business acquired is expected to exceed the value underlying the net assets.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Group financial statements

By virtue of section 228 of the Companies Act 1985 the company, being the wholly owned subsidiary undertaking of Walkers Group Limited (formerly Golden Wonder Group Limited), an undertaking incorporated in England, is exempt from the requirement to prepare and deliver group financial statements. Copies of the Walkers Group Limited consolidated accounts are available from its registered office.

Pension costs

The company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis, however, as Walkers Snack Foods Limited employs the majority of the employees within the scheme they are disclosed in full within their financial statements.

Related party transactions

Under Financial Reporting Standard 8, the company is exempt from the requirement to disclose related party transactions with members of the same group on the grounds that 90% or more of the voting rights are controlled within the group.

Notes *(continued)*

2 Analysis of turnover

The company operates in only one class of business, the provision of services as commissionaire for other group companies. Turnover is wholly derived within the UK. Accordingly the company has not prepared any segmental analysis.

3 Operating loss

Operating loss is stated after charging / (crediting) the following:	**Period ended 27 December 2003 £000**	Period ended 28 December 2002 £000
Provision for intercompany balances	**2,934**	41,672
Staff costs	**6,080**	2,496
Depreciation on tangible fixed assets	**126**	99
Amortisation of goodwill	-	27
Impairment of goodwill	-	6,365
Impairment of fixed assets	-	2,914
Operating lease rentals:		
Land and buildings	**422**	211
Plant and machinery	**1,071**	501

Audit fees are borne by a fellow group company.

4 Directors' emoluments

The directors did not receive any remuneration for their services.

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period was as follows:

	Period ended 27 December 2003	Period ended 28 December 2002
Average monthly number of employees	**235**	246

The aggregate payroll costs of these persons were as follows:

	Period ended 27 December 2003 £000	Period ended 28 December 2002 £000
Wages and salaries	**5,440**	2,330
Social security costs	**422**	130
Other pension costs *(note 21)*	**218**	36
	6,080	2,496

Notes *(continued)*

6 Interest receivable

	Period ended 27 December 2003 £000	Period ended 28 December 2002 £000
Other interest receivable	**902**	398

7 Interest payable and similar charges

	Period ended 27 December 2003 £000	Period ended 28 December 2002 £000
Other interest payable	**27**	-

8 Dividends receivable

A dividend of £nil *(2002: £4,157,000)* was received from Golden Wonder Limited during the period.

9 Taxation

Analysis of charge in period	**2003**		2002	
	£000	**£000**	£000	£000
UK corporation tax				
Current tax on income for the period	**-**		(39)	
Adjustments in respect of prior periods	**30**		-	
Total current tax charge/credit		**30**		(39)
Deferred tax (see note 16)				
Origination/reversal of timing differences	**212**		(876)	
Adjustment in respect of prior periods	**53**		-	
		265		(876)
Tax on profit on ordinary activities		**295**		(915)

Factors affecting the tax charge for the current period

The current tax charge *(2002: credit)* for the period is lower *(2002: lower)* than the standard rate of corporation tax in the UK, 30% *(2002: 30%)*. The differences are explained below:

Notes *(continued)*

9 Taxation (continued)

	2003 £000	2002 £000
Current tax reconciliation		
(Loss) on ordinary activities before tax	**(2,465)**	(57,138)
Current tax at 30% *(2002: 30%)*	**(740)**	(17,141)
Effects of:		
Dividends from group companies, not subject to taxation	**-**	(1,247)
Loss on sale of fixed asset to group company, not subject to taxation	**-**	3,000
Disallowable expenses (primarily amortisation of goodwill and provision against intercompany debt)	**1,065**	14,472
Capital Allowances in excess of depreciation	**(151)**	815
Increase in bad debt provision	**-**	62
Decrease in bad debt provision	**(62)**	-
Adjustment to tax charge in respect of previous periods	**30**	-
Group relief for nil consideration	**(114)**	-
Capital items expensed	**2**	-
Total current tax charge/(credit) (see above)	**30**	(39)

Factors that may affect future tax charges

The directors are not aware of any other factors that may affect the future tax charge.

10 Tangible fixed assets

	Computers and office equipment £000	**Plant and Machinery £000**	**Total £000**
Cost			
At beginning of period	-	247	247
Additions	1	198	199
At end of period	1	445	446
Depreciation			
At beginning of period	-	34	34
Charge for period	-	126	126
At end of period	-	160	160
Net book value			
At 27 December 2003	**1**	**285**	**286**
At 28 December 2002	-	213	213

Notes *(continued)*

11 Intangible fixed assets

	Goodwill £000
Cost	
At 28 December 2002 and 27 December 2003	**6,500**
Amortisation	
At 28 December 2002	6,500
Charge for the period	-
Impairment in period	-
At 27 December 2003	**6,500**
Net Book Value	
At 27 December 2003	-
At 28 December 2002	-

12 Fixed asset investments

	Interests in Group undertakings £000
Cost	
At 29 June 2002	**10,000**
Disposal in period ending 28 December 2002	**(10,000)**
At 28 December 2002 and 27 December 2003	-

Interests in group undertakings

	Country of incorporation	Principal activity	Class of shares held	Percentage of shares held
Wotsits Brands Limited	England	Non trading company	Ordinary £1	100%

The investments in Golden Wonder Limited and Golden Wonder (2000) Limited were disposed of on 29 July 2002. Consideration of £2 was received and accordingly a loss on disposal of £9,999,998 was made.

Notes *(continued)*

13 Stock

	27 December 2003 £000	28 December 2002 £000
Consumables	**-**	24
Finished goods	**389**	433
	389	457

14 Debtors

	27 December 2003 £000	28 December 2002 £000
Trade debtors	**1,504**	2,738
Amounts owed by group undertakings	**386**	659
Prepayments and accrued income	**112**	14
Deferred taxation (see note 16)	**479**	744
	2,481	4,155

15 Creditors: amounts falling due within one year

	27 December 2003 £000	28 December 2002 £000
Trade creditors	**155**	2,473
Other creditors	**2,063**	776
Amounts due to group undertakings	**2,639**	709
Corporation tax	**139**	108
	4,996	4,066

Notes *(continued)*

16 Deferred taxation

	£000
At 28 December 2002	744
Charge to the profit and loss account	(265)
At 27 December 2003 (within debtors – see note 14)	**479**

The amount provided is:

	27 December 2003 £000	28 December 2002 £000
Accelerated capital allowances	**479**	682
Bad debt provision	**-**	62
Asset/(liability)	**636**	744

The directors consider the deferred tax asset recoverable against tax on future trading profits. Walkers Snack Services Limited was profit making in the period to 25 December 2004 and is projected to make profits in 2005.

17 Called up share capital

	27 December 2003 £000	28 December 2002 £000
Authorised		
38,100,000 Ordinary shares of £1 each	**38,100**	38,100
Allotted, called up and fully paid		
20,767,511 Ordinary shares of £1 each	**20,768**	20,768

Notes *(continued)*

18 Reserves

	Share premium account £000	Profit and loss account £000
At 28 December 2002	232	(18,968)
Loss for the period	-	**(2,760)**
At 27 December 2003	**232**	**(21,728)**

19 Movement on equity shareholders' funds

	27 December 2003 £000	28 December 2002 £000
Opening equity shareholders' funds	**2,032**	58,254
Loss in financial period	**(2,760)**	(56,222)
Closing equity shareholders' (deficit)/funds	**(728)**	2,032

20 Financial Commitments

Annual commitments under non-cancellable operating leases are as follows:

	27 December 2003		28 December 2002	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	**4**	**613**	42	-
In the second to fifth years inclusive	**211**	**873**	182	987
Over five years	**207**	-	174	-
	422	**1,486**	398	987

Notes *(continued)*

21 Pension scheme

The group has continued to account for pensions in accordance with SSAP 24 and the disclosures given in (a) are those required by the standard. FRS 17 Retirement Benefits was issued in November 2000 but will not be mandatory for the company until the year ended 30 December 2006. Prior to this, phased transitional disclosures are required and are set out in (b)

(a) SSAP 24 disclosures

The company operates one main funded pension scheme which provides benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of regular valuations using the projected unit method. The most recent valuation of the pension scheme was made on 31 December 2002. The assumptions which have the most significant effect on the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

Rate of return on investments after retirement	6.0%
Rate of return on investments before retirement	7.5%
Rate of increase in salary and wages	4.42%
Rate of increase in pension payments	2.42%

The pension charge for the period was £218,000 *(2002: £36,000)*.

Any benefits or costs arising as a result of a scheme surplus or deficit are retained or borne by Walkers Snack Foods Limited. From the perspective of the company the scheme operates similarly to a defined contribution scheme, although the scheme is defined benefit in nature. In addition, the company is unable to identify its share of the underlying assets and liabilities of the scheme.

(b) FRS 17 Retirement benefits

The company pays a regular amount to Walkers Snack Foods Limited which makes contributions to the group scheme on its behalf. Any benefits or costs arising as a result of a scheme surplus or deficit are retained or borne by Walkers Snack Foods Limited. While it is not possible to separately identify its share of the underlying assets and liabilities of the scheme, Walkers Snack Foods Limited employs most of the staff in the scheme. Therefore, for the purposes of FRS 17, the Walkers Group defined benefit pension scheme has been disclosed in full in the accounts of Walkers Snacks Foods Limited, although not all of the assets and liabilities relate to this company.

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

The company is a subsidiary undertaking of PepsiCo, Inc., a company 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. The smallest group in which they are consolidated is that headed by Walkers Group Limited, a company incorporated in Great Britain and registered in England and Wales. The consolidated accounts of these groups are available to the public and may be obtained from their respective registered offices as follows:

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