Registered No: SC015262

McCormick (UK) Limited

Report and Financial Statements

30 November 2017

Corporate information

Directors

C Jinks

L Creighton

J Schwartz

Auditors

Ernst & Young LLP
Apex Plaza, Forbury Road,
Reading,
Berkshire RG1 1YE

Solicitors

Baker & McKenzie
100 New Bridge Street
London EC4V 6JA

Bankers

Royal Bank of Scotland	Bank Mendes Gens	HSBC
36 St Andrews Square	Herengracht 619	8 Canada Square
Edinburgh	1017 CE Amsterdam	London
EH2 2YB	The Netherlands	E14 5HQ

Registered office

Leven house
10 Lochside Place
Edinburgh Park
Edinburgh
United Kingdom
EH12 9DF

Strategic report

The directors present their Strategic report for the year ended 30 November 2017.

Review of the business

The company's principal activities during the year continued to be the manufacturing and packing of food products and the marketing, selling and distribution of these and other products to grocery, catering and other outlets. The company operates in two business segments Consumer and Industrial.

The company's key financial and other performance indicators during the year were as follows:

	2017 *£'000*	*2016* *£'000*	*Change* *%*
Turnover	249,800	239,927	4.1%
Operating profit	12,126	15,585	-22.2%
Profit after tax	33,659	4,385	667.6%
Average number of employees	704	731	-3.7%

The 2017 results of the company show improvements in turnover however operating profit declined due to the challenging economic and competitive environment, particularly in the Consumer division. The Consumer division's main focus was driving the performance of the Schwartz brand during the year. The Industrial division had a strong year with growth across all key customers driven by existing and newly developed products. Both divisions had a continued focus on productivity savings.

Increased commodity costs across a number of raw materials contributed to higher costs during the year and this was exacerbated further by the impact of negative currency movements. The impact on overall profitability was partly mitigated by productivity improvements delivered as part of the company's ongoing Comprehensive Continuous Improvement programme.

The directors believe that the company is well placed going into the new financial year with continued focus on maximising efficiencies across the whole business and driving growth of the branded portfolio in order to deliver improved operating profitability.

During the year the company sold the right to fulfil future sales of the dry blending business in the Middle East to a subsidiary company.

The 2017 profit after tax also includes a receipt of dividend from a subsidiary company of £25,977,000 (2016 £1,207,000).

During the year the company acquired the R.T. French's Food Company Limited and subsequently transferred its trade and net assets to McCormick (UK) Limited.

The trade and net assets were also transferred from GG(Europe) Limited to McCormick (UK) Limited in the year.

Strategic report (continued)

Principal risks and uncertainties

Principal risks and uncertainties facing the company are broadly grouped as follows:

Competitive risks

Across Europe and in the UK the company is subject to competition from other major brands and own labelled products and competitive price pressure remains a key risk to the business. The company manages this risk by providing high quality innovative products at a competitive price and by continuing to develop strong long-term relationships with key customers. The company invests in its employees, in its customer relationships and in the brands through robust policies and procedures to ensure high quality products and protect its reputation.

Legislative risks

The company is required to meet high standards concerning health and safety, employment law and strict legislation relating specifically to the food industry. These standards are subject to continuous revision which management must adhere to in order to ensure compliance with legislation.

Management addresses these risks by continually educating and training those who are responsible for these tasks and by carrying out risk based audits to assess the effectiveness of the standards in place to comply with the legislation.

Financial instruments risks and use of derivatives

As coordinated for the whole McCormick group by the ultimate parent company, the company enters into forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material foreign currency receipts/payments.

Exposure to price, credit and liquidity

With a large proportion of customer pricing fixed in advance, the company is at risk of fluctuating prices for food ingredients.

Credit risk is the risk that one party to the financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The company policies are aimed at minimising such losses, and require that credit terms are only granted to customers who satisfy the company's credit worthiness procedures. Credit customers are subject to periodic review to ensure adherence to the company policies.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by managing its operating cash flow and seeking support from other group members when necessary.

UK membership of the European Union

During 2016, there was a referendum in the UK regarding membership of the European Union. The company has significant sales and purchases with several member countries and management will monitor those relationships for signs of any risk to the ongoing operations.

On behalf of the Board

L Creighton
Director

Date: 8/8/2018

Directors' report

The Directors present their report for the year ended 30 November 2017

Directors of the company

The current directors are shown on page 1.

L Creighton was appointed on 1 January 2017 and J Schwartz was appointed 4 August 2017.

C Noble was a director until 31 December 2016 when he resigned and L Kurzius, M Williams, M Swift and F Gouby were directors until 31 July 2017 when they resigned.

Dividends

An ordinary dividend of £25,390,000 was paid during the year. The directors do not recommend the payment of a final ordinary dividend (2016: £nil).

During the year the company received a dividend from a subsidiary company of £25,977,000 (2016 £1.207,000)

Research and development

Company policy is to invest in product innovation and process improvement at a level designed to enable it to be a market leader in the business in which it competes. It is also company policy to seek out new business opportunities by exploiting its skills and technological base.

Future developments

The company continues to review its business activities in order to improve profitability despite ongoing challenges to the general economy. This will be achieved through new product development, growth opportunities in existing and developing markets, and through maximising cost efficiencies across existing operations.

Events since the balance sheet date

There have been no significant events since 30 November 2017 that would materially affect the financial statements.

Financial instruments

The policy on financial instruments is provided in the strategic report on page 18.

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in the strategic report on pages 2 to 3.

The company is expected to generate positive cash flows into the foreseeable future. The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The directors, having assessed the responses of the directors of the company's ultimate parent McCormick & Company, Incorporated to their enquiries, have no reason to believe that a material uncertainty exists that may cast doubt about the ability of the company to continue as a going concern or its ability to continue with the current banking arrangements. McCormick & Company, Incorporated continue to provide parental support to the company.

Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

Directors' report (continued)

Directors' liabilities

During the year, and up to the date of approval of the financial statements, the company had in place third party indemnity provision for the benefit of all the directors of the company subject to the conditions set out in section 234 of the Companies Act 2006.

Disabled employees

The company is committed to a policy of equality of opportunity in all its employment practices and to promoting a positive working environment, with dignity for all.

The company gives full consideration to applications from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled it is the company's policy to provide continuing employment wherever practicable in the same or in an alternative position and to provide appropriate training to achieve this aim.

Employee involvement

The company has continued its policy of providing employees with information on matters of concern to them as employees and has consulted them or their representatives on a regular basis. This has been carried out by management at the company's various locations and by way of company meetings, information bulletins, surveys and conferences. Employees participate directly in the success of the business through the company's profit sharing and share option schemes. All employees' training and development is supported by continuing in-service education, including the opportunity to join cross-functional project teams as part of the 'Multiple Management Board'.

McCormick & Company, Incorporated, and its subsidiaries (the "group"), of which McCormick (UK) Limited is a subsidiary, publishes an annual corporate social responsibility report where detailed companywide employee commitments, initiatives and key performance indicators can be found.

Bullying and harassment are not tolerated at McCormick and the company actively promotes the diversity of its workforce, contractors and suppliers.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to made himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditors

In accordance with s.485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the Company.

On behalf of the Board

L Creighton
Director

Date: 8/8/2018

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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; and
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

to the members of McCormick (UK) Limited

Opinion

We have audited the financial statements of McCormick (UK) Limited for the year ended 30 November 2017 which comprise as the Profit and Loss Account, the Statement of Financial Position, the Statement of comprehensive income, the Statement of changes in equity and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 November 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditor's report (continued)

to the members of McCormick (UK) Limited

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Independent auditor's report (continued)

to the members of McCormick (UK) Limited

Responsibilities of directors

As explained more fully in the directors' responsibilities 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Ernst + Young LLP

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Kevin Harkin (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Reading

9 August 2018

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Date

Profit and loss account

for the year ended 30 November 2017

	Note	2017 £'000	2016 £'000
Turnover	2	249,800	239,927
Cost of sales		(203,670)	(185,347)
Gross profit		46, 130	54,580
Distribution costs		(9,852)	(9,183)
Administrative expenses		(21,924)	(27,801)
Research and development expenditure	3	(5,976)	(6,058)
Management fee income		4,955	5,248
Share incentive scheme charges	18	(1,207)	(1,201)
		(34,004)	(38,995)
Operating profit	3	12,126	15,585
Profit on sale of dry blending business		4,521	-
Profit on ordinary activities before investment income, interest and taxation		16,647	15,585
Income from investments		25,977	1,207
Bank interest income		19	74
Impairment of investment	11	(200)	(2,019)
Interest payable	6	(3,679)	(3,659)
Other finance (expense)	7	(55)	(76)
		22,062	(4,473)
Profit on ordinary activities before taxation		38,709	11,112
Taxation	8	(5,050)	(6,727)
Profit on ordinary activities after taxation and profit retained for the year		33,659	4,385

All of the company's turnover and results for both the year and prior year were generated from continuing activities.

Statement of comprehensive income

for the year ended 30 November 2017

		2017	2016
		£'000	£'000
Profit for the year		33,659	4,385
Remeasurement gain / (loss) recognised on defined pension scheme	20	17,011	(6,853)
Movement on deferred tax related to pension scheme liability	8	(3,193)	1,234
Total other comprehensive income / (loss)		13,818	(5,619)
Total comprehensive income / (loss) for the year		47,477	(1,234)

Statement of changes in equity

for the year ended 30 November 2017

	Called-up share capital	*Distributable reserves*	*Retained earnings*	*Total Equity*
	£'000	*£'000*	*£'000*	*£'000*
Balance at 1 December 2015	**150,010**	-	**(36,110)**	**113,900**
Profit for the year	-	-	4,385	4,385
Other comprehensive loss for the year	-	-	(5,619)	(5,619)
Share based payments	-	-	1,202	1,202
Balance at 30 November 2016	**150,010**	-	**(36,142)**	**113,868**
Profit for the year	-	-	33,659	33,659
Other comprehensive income for the year	-	-	13,818	13,818
Equity dividends paid	-	-	(25,390)	(25,390)
Reduction in share capital & transfer to distributable reserves	(50,000)	50,000	-	-
Share based payments	-	-	1,207	1,207
Balance at 30 November 2017	**100,010**	**50,000**	**(12,848)**	**137,162**

Statement of financial position

At 30 November 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Intangible assets	9	23,154	16,422
Tangible assets	10	46,582	33,938
Investments	11	90,322	73,146
		160,058	123,506
Current assets			
Stocks	12	31,274	24,106
Debtors			
Amounts falling due within one year	13	42,292	70,292
Amounts falling due in more than one year	13	3,230	7,614
Total debtors		45,522	77,906
Cash at bank and in hand		3,606	3,460
Total current assets		80,402	105,472
Creditors: amounts falling due within one year	14	(68,123)	(54,578)
Net current assets		12,279	50,894
Total assets less current liabilities		172,337	174,400
Creditors: amounts falling due after more than one year	15/16	(51,700)	(51,700)
Net assets excluding pension		120,637	122,700
Defined benefit pension asset / (liability)	20	16,525	(8,832)
Net assets		137,162	113,868
Capital and Reserves			
Called up share capital	17	100,010	150,010
Distributable reserve		50,000	-
Profit and loss account		(12,848)	(36,142)
Total equity shareholders' funds		137,162	113,868

Approved by the Board:

L Creighton
Director

Date: 8/8/2018

Notes to the financial statements

at 30 November 2017

1. Accounting policies

Statement of compliance

McCormick UK Limited is a limited liability company incorporated in Scotland. The Registered Office is Leven house, 10 Lochside Place, Edinburgh Park, Edinburgh EH12 9DF.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – the 'Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ("FRS 102"), and with the Companies Act 2006.

Basis of preparation and change in accounting policy

The financial statements of McCormick (UK) Limited were authorised for issue by the Board of Directors on 8 August 2018.

The financial statements have been prepared in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the company and rounded to the nearest £'000.

The company is exempt by virtue of Section 401 of the Companies Act 2006 from the requirement to prepare group financial statements, as it is a wholly owned subsidiary and is included by full consolidation in the publically available consolidated financial statements of its ultimate parent company, McCormick & Company, Incorporated, a company incorporated in the USA. Therefore, these financial statements present information about the company and not its group.

The company have also adopted the following reduced disclosure exemptions under FRS102, based on equivalent disclosures being available in the consolidated financial statements of its ultimate parent company:

- The requirements in Section 7 "Statement of Cash Flows" and Section 3 "Financial Statement Presentation" paragraph 3.17(d);
- The requirements of Section 11 paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c) and Section 12 paragraphs 12.26 (in relation to those cross-referenced paragraphs from which a disclosure exemption is available), 12.27, 12.29(a), 12.29(b), and 12.29A
- The requirements of Section 26 "Share-based Payment" paragraphs 26.18(b), 26.19 to 26.21 and 26.23; and
- The requirements of Section 33 "Related Party Disclosures" paragraph 33.1A, the company does not disclose transactions with other wholly-owned fellow group undertakings

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that the actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effects on amounts recognised in the financial statements;

Operating lease commitments

The group has entered into commercial leases as a lessee and obtains the use of property, plant and equipment. The classification of such leases as operating or finance leases requires the group to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and a liability to be recognised in the statement of financial position

Notes to the financial statements (continued)

at 30 November 2017

1. Accounting policies (continued)

Judgements and key sources of estimation uncertainty (continued)

The following are the Company's key sources of estimation uncertainty:

Pension benefits
The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty.

Taxation
The company establishes provisions based on reasonable estimates. The amount of such provisions is based on various factors and management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Goodwill
The company establishes an estimate of the useful life of goodwill arising on business combinations. This estimate is based on a variety of factors such as the expected useful life of the acquired business, the expected usual life of the cash generating unit and any legal, regulatory or contractual provisions that could limit the useful life and assumptions that market participants would consider in respect of similar businesses.

Impairment of investments
Where there are indicators of impairment of individual assets, the company perform impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flows and the growth rates used for extrapolation purposes.

Significant accounting policies

Goodwill
Goodwill is the difference between the amount paid on the acquisition of a business and the aggregate fair value of its separable net assets. It is being written off through the profit and loss account in equal annual instalments over its estimated economic life of ten years. If a subsidiary, associate or business is subsequently sold or discontinued, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or discontinuance.

Impairment of non-financial assets
The company assesses at each reporting date whether an asset may be impaired. If any such indication exists the company estimates recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the company estimates, the recoverable amount of the cash- generating unit to which the asset belongs. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in profit and loss unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

An impairment loss recognised for all assets, including goodwill, is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

Notes to the financial statements (continued)

at 30 November 2017

1. Accounting policies (continued)

Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended. Depreciation is provided on all property, plant and equipment, other than freehold land and assets in the course of construction, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life as follows:

Buildings	30 – 40 years
Plant and machinery	8 years
Furniture and fixtures	8 years
Computer hardware and software	5 years
Vehicles	4 years
Personal computers	3 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

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

Leased assets

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and conditions, as follows:

Raw materials, consumables and goods for resale	- purchase cost on a first-in, first-out basis.
Work in progress and finished goods	- cost of direct materials and labour plus attributable overheads based on normal level of activity

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and sale.

Cash and cash equivalents

Cash and cash in hand in the balance sheet comprise cash at banks and in hand.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Interest-bearing loans and borrowings

All Interest-bearing loans and borrowings which are basic financial instruments are initially recognized at the present value of cash payable (including interest). After initial recognition, they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortised is included in interest income in the income statement.

Notes to the financial statements (continued)

at 30 November 2017

1. Accounting policies (continued)

Significant accounting policies (continued)

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Revenue is recognised as interest accrues using the effective interest method.

Dividends

Dividend income is recognised when the company's right to receive payment is established.

Research and development expenditure

Laboratory buildings and equipment used for research and development are included as property, plant and equipment and written off in accordance with the company's depreciation policy. Other research and development expenditure is written off as it is incurred.

Provisions for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Pension costs

The company operates both a defined benefit pension scheme and a defined contribution pension scheme. The defined benefit scheme was closed to new members in October 2002 from which time membership of a defined contribution plan was made available. The defined benefit scheme closed to future accrual with effect from 31 December 2016, no contributions are payable by the company or employees in respect of benefit accrual. Consequently a curtailment gain of £6,254,000 was recognised in the profit & loss account during the year. Additional company contributions may be required if there are any redundancies or augmentations during the year.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, at the start of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance expense.

Re-measurements, comprising actuarial gains and losses and the return on the net defined benefit liability (excluding amounts included in net interest) are recognised immediately in other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit and loss in subsequent periods.

The defined net benefit pension liability in the balance sheet comprises the total for the plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price.

Contributions to defined contribution schemes are recognised in the profit and loss account in the period in which they become payable.

Notes to the financial statements (continued)

at 30 November 2017

1. Accounting policies (continued)

Significant accounting policies (continued)

Share based payments

The company has two types of share based compensation awards – restricted stock units (RSUs) and stock options. The share based payment awards are granted by the ultimate parent company to employees of group members. The company has adopted the reduced disclosure exemption under FRS102, based upon equivalent disclosures being available in the consolidated financial statements of its ultimate parent company. In accordance with the requirements of FRS 102 s.26.16 the company has elected to recognise and measure the share based payment expense on the basis of a reasonable allocation of the expense for the group (an alternative treatment to that set out in paragraphs 26.3 to 26.15 of FRS 102).

RSUs

RSUs are valued at the market price of the underlying shares, discounted for foregone dividends, on the date of grant. Substantially all of the RSUs granted vest over a three year term or upon retirement.

Stock Options – equity settled transactions

Stock options are granted with an exercise price equal to the market price of the stock on the date of grant. Substantially all of the options vest rateably over a three-year period or upon retirement and are exercisable over a 10-year period. Upon exercise of the option, shares are issued from the ultimate parent companies authorised and unissued shares.

Deferred taxation

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- Where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax liability / (asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and
- Unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

The balance sheet accounts of the company's Swiss registered branch are translated at the rate of exchange ruling at the balance sheet date and the profit and loss accounts are translated using an average rate of exchange for the financial year. The exchange difference arising on the retranslation of opening net assets is taken directly to the profit and loss accounts. All other translation differences are taken to the profit and loss account.

Derivative instruments

The company is exposed to foreign currency fluctuations affecting transactions denominated in foreign currencies. The company uses forward foreign currency contracts to reduce exposure to foreign exchange rate fluctuations.

Derivative financial instruments are initially measured at fair value on the date on which the derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles.

The company does not undertake any hedge accounting transactions.

Notes to the financial statements (continued)

at 30 November 2017

2. Turnover and segmental analysis

Turnover represents the amounts derived from the provision of goods which fall within the company's ordinary activities, stated net of value added tax.

Company turnover and operating profit derive from the manufacture and distribution of food and other products. The company has operated within two main segments: Consumer (products for the retail market) and Industrial (products for the food industry and catering). These segmental results have not been disclosed as the directors believe that it would be against the company's commercial interests.

Turnover is analysed as follows:

	2017 £'000	2016 £'000
Continuing operations		
Geographical area by destination:		
United Kingdom	159,828	158,016
Other European countries	76,087	66,608
Rest of world	13,885	15,303
	249,800	239,927
Geographical area by origin:		
United Kingdom	237,885	229,358
Rest of world	11,915	10,569
	249,800	239,927

Notes to the financial statements (continued)

at 30 November 2017

3. Operating profit

This is stated after charging / (crediting)

		2017	*2016*
		£'000	*£'000*
Research and development expenditure		5,976	6,058
Depreciation of owned assets (see note 10)		4,811	4,302
Amortisation of goodwill (see note 9)		3,321	2,986
Total depreciation and amortisation charge		8,132	7,288
Auditor's remuneration	- audit of financial statements	338	333
	- audit of subsidiaries and associates	65	65
	- audit of pension schemes	10	10
	- total audit	413	408
	- tax advisory services	44	34
	- other non-audit services	4	13
	- total non-audit services	48	47
	- total auditor's remuneration	461	455
Operating lease rentals	- land and buildings	425	446
	- plant and machinery	1,214	1,543
Foreign exchange differences		(324)	(1,580)

Auditor's remuneration of £65,000 (2016: £65,000) attributable to other UK group companies is borne by McCormick (UK) Limited. This amount has not been recharged and is reflected in the company's operating profit for the year.

4. Directors' remuneration

	2017	*2016*
	£'000	*£'000*
Aggregate remuneration in respect of qualifying services	1,844	1,856
Company contributions payable to defined benefit schemes	-	14

	2017	*2016*
	No.	*No.*
Members of defined benefit scheme	-	1
Members of money purchase pension scheme	1	3

Notes to the financial statements (continued)

at 30 November 2017

4. Directors' remuneration (continued)

The company's directors are part of the share option scheme of its ultimate parent company, McCormick & Company, Incorporated, under which options to subscribe for that company's shares have been awarded to senior management.

	2017 *No.*	*2016* *No.*
Number of directors who received shares in respect of qualifying services	4	3
Number of directors who exercised options	4	3

The emoluments of four directors were paid and accounted for by other McCormick group companies, one by McCormick France SAS, and three by McCormick & Company, Incorporated.

The amounts in respect of the highest paid director are as follows:

	2017 *£'000*	*2016* *£'000*
Aggregate remuneration	761	705
Company contributions payable to defined benefit schemes	-	14
Amount of accrued pension at the year end under defined benefit pension schemes	29	29

The highest paid director exercised share options during the year and received shares under the group's long term incentive scheme.

During 2017 £nil (2016 £193,000) was paid to one director as compensation for loss of office.

The directors' remuneration relates to their services performed for all UK companies within the McCormick group. The directors' services to other McCormick UK group companies do not occupy a significant amount of their time and are considered to be incidental. As such, the directors do not consider that they have received any remuneration for their services to other McCormick UK group companies for the years ended 30 November 2017 and 30 November 2016.

5. Staff costs

	2017 *£'000*	*2016* *£'000*
Wages and salaries	44,382	45,151
Social security costs	4,348	4,169
Share incentive scheme charges (see note 18)	1,207	1,202
Defined benefit service cost (see note 20)	237	1,506
Contribution to defined contribution scheme	1,881	1,178
	52,055	53,206

Notes to the financial statements (continued)

at 30 November 2017

5. Staff costs (continued)

The average monthly number of employees during the year was made up as follows:

	2017	*2016*
	No.	*No.*
Manufacturing	370	387
Selling and marketing	49	40
Administration	285	304
	704	731

6. Interest payable

	2017	*2016*
	£'000	*£'000*
Interest on bank overdrafts	60	40
Interest on loan from group undertaking	3,619	3,619
	3,679	3,659

7. Other finance expense

	2017	*2016*
	£'000	*£'000*
Interest income on pension scheme assets	4,044	4,381
Interest on defined benefit obligation	(4,099)	(4,457)
Total other finance expense	(55)	(76)

8. Tax on profit on ordinary activities

(a) Tax on profits on ordinary activities

The tax charge is made up as follows:

	2017	*2016*
	£'000	*£'000*
Current tax:		
UK corporation tax at 19.33% (2016: 20%)	121	112
Group relief payable	3,643	5,906
Foreign taxation	54	52
Tax under provided in previous years	19	113
	3,837	6,183
Double tax relief	(54)	(52)
Adjust prior period foreign tax	(4)	-
Total current tax	3,779	6,131
Deferred tax:		
Origination and reversal of timing differences	1,680	475
Effect of decreased tax rate on opening position	(408)	241
Tax over provided in previous years	(1)	(120)
Total deferred tax	1,271	596
Tax on profit on ordinary activities (note 8(c))	5,050	6,727

Notes to the financial statements (continued)

at 30 November 2017

8. Tax on profit on ordinary activities (continued)

(a) Tax on profits on ordinary activities (continued)

	2017 £'000	2016 £'000
Current Tax	3,779	6,131
Deferred tax	1,271	596
Tax on profit on ordinary activities	5,050	6,727

(b) Tax included in the statement of total other comprehensive income

The tax charge / (credit) is made up as follows:

	2017 £'000	2016 £'000
Deferred tax:		
Actuarial loss / (gain) on pension scheme	(17,011)	6,853
Movement in deferred tax related to defined benefit pension liability	3,193	(1,234)
Tax relating to other comprehensive income	3,193	(1,234)

(c) Factors affecting the total tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19.33% (2016 – 20%), The differences are reconciled below:

The tax charge / (credit) is made up as follows:

	2017 £'000	2016 £'000
Profit on ordinary activities before tax	38,709	11,112
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.33.% (2015: 20%)	7,482	2,222
Fixed asset differences	692	-
Expenses not deductible for tax purposes (including goodwill amortisation)	273	1,213
Non taxable income	(5,915)	(349)
Amounts credited directly to equity or otherwise transferred	3,288	-
Other permanent differences	(147)	-
Chargeable gains	874	-
Foreign tax charge	-	-
Statutory deduction for stock options	-	(389)
Group relief for which no payment made	(1,429)	(1,181)
Deferred tax previously not recognised	(64)	(929)
Group relief paid for	3,643	5,906
Defered tax movement re shares	91	-
Change in tax laws and rates	(559)	241
Deferred tax charged to equity	(3,193)	-
Adjustment to tax charge in respect of previous periods	14	(7)
Total tax expenses	5,050	6,727

(d) Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 20% to 19% from 1 April 2017 was enacted in November 2015. A further reduction to 17% from 1 April 2020 was enacted in September 2016.

Notes to the financial statements (continued)

at 30 November 2017

8. Tax on profit on ordinary activities (continued)

(e) Deferred Tax:

The deferred tax included in the balance sheet is as follows:	*2017* *£'000*	*2016* *£'000*
Included in debtors (note 13)	5,082	9,546
	5,082	9,546
Accelerated capital allowances	7,349	6,067
Share-based payments	498	562
Tax losses carried forward	36	169
Capital loss	-	680
Short term timing differences	301	478
Pension costs	(3,102)	1,590
Provision for deferred tax asset	5,082	9,546

At 1 December 2016	9,546
Deferred tax credit in profit and loss account	(1,271)
Amount credited / (debited) to other comprehensive income	(3,193)
At 30 November 2017	5,082

The company expects the deferred tax assets to reverse over the next 10 years. The company has losses related to loan relationships totalling £192,000 (2016 £nil) and capital losses totalling £nil (2016 £nil) which are not recognised for deferred tax purposes. The deferred tax rate used reflects the rates at which the temporary differences are expected to unwind.

9. Intangible fixed assets

	Trademark *£'000*	*Goodwill* *£'000*	*Total* *£'000*
Cost:			
At 1 December 2016	830	37,804	38,634
Additions during the year	-	10,053	10,053
At 30 November 2017	830	47,857	48,687
Amortisation:			
At 1 December 2016	830	21,382	22,212
Provided during the year	-	3,321	3,321
At 30 November 2017	830	24,703	25,533
Net book value:			
At 30 November 2017	-	23,154	23,154
At 1 December 2016	-	16,422	16,422

Goodwill arising from the acquisition of the Swiss trade and related assets is being amortised over the directors' estimate of its useful life of 10 years. Goodwill arising from the acquisition of the trade and related assets of R.T. French's Food Company Limited is being amortised over the directors' estimate of its useful life of 10 years.

Notes to the financial statements (continued)
at 30 November 2017

10. Tangible fixed assets

	Freehold land	*Freehold buildings*	*Leasehold property*	*Plant, machinery, vehicles and equipment*	*Assets in the course of construction*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Cost:						
At 1 December 2016	4,156	19,679	1,862	53,520	2,636	81,853
Disposals	-	-	-	(4,300)	-	(4,300)
Additions	-	790	1	4,626	12,293	17,710
Transfers	-	160	(6)	2,151	(2,305)	-
At 30 November 2017	4,156	20,629	1,857	55,997	12,624	95,263
Depreciation:						
At 1 December 2016	-	8,651	1,429	37,835	-	47,915
Disposals	-	-	-	(4,045)	-	(4,045)
Provided during the year	-	662	106	4,043	-	4,811
At 30 November 2017	-	9,313	1,535	37,833	-	48,681
Net book value:						
At 30 November 2017	4,156	11,316	322	18,164	12,624	46,582
At 30 November 2016	4,156	11,028	433	15,685	2,636	33,938

11. Investments

	Subsidiaries	*Joint venture*	*Total*
	£'000	*£'000*	*£'000*
At 1 December 2016	72,915	231	73,146
Additions	17,177	200	17,377
Disposal	-	-	-
Impairment	-	(200)	(200)
30 November 2017	90,092	231	90,323

The company's investment in its joint venture McCormick Yildiz Gıda Sanayi ve Ticaret Anonim Şirket has been increased during the year by way of additional cash injections to support the business in its exit from the Consumer market. The additional investment has been fully written off during the year due to the planned exit from this business.

During the year, the company acquired the full share capital of R.T. French's Food Company Limited for a consideration of £359,000. The company has also increased its investment in McCormick Italy Holdings S.r.l. by £16,818,000.

Details of the investments in which the company holds more than 20% of the nominal value of any class of share capital are set out page 26. Unless otherwise shown, the investments are in companies incorporated within the United Kingdom.

Notes to the financial statements (continued)

at 30 November 2017

11. Investments (continued)

The following companies are directly owned by the company:

Name of company	*Holding*	*Proportion held*	*Nature of business*	*Incorporated in*	*A/C'g Date*
McCormick South Africa (Pty) Limited	Ordinary	100%	Dry savoury flavourings for the crisp and snack markets	South Africa	30-11
McCormick (Littleborough) Limited	Ordinary	100%	Non trading	UK	30-11
Noël Holdings Limited	Ordinary	100%	Holding company	UK	30-11
McCormick Merchandising Services Limited	Ordinary	100%	Provision of merchandising services	UK	30-11
Schwartz Spices Limited	Ordinary	100%	Dormant	UK	31-10
McCormick SA	Ordinary	100%	Distribution of food products	Switzerland	30-11
McCormick Italy Holdings S.r.l	Ordinary	100%	Holding company	Italy	30-11
Botanical Food Company Pty Ltd	Ordinary	100%	Producer and distributor of food products	Australia	30-11
GG (Europe) Limited	Ordinary	100%	Sale of food products	UK	30-11
McCormick Shared Services – EMEA LLC	Ordinary	100%	Business services	Poland	30-11
R.T. French's Food Company Limited	Ordinary	100%	Distribution of food products	UK	31-12
Joint ventures					
McCormick Kutas Food Service Limited	Ordinary	50%	Holding company	UK	30-11
McCormick Yıldız Gıda San. Ve Tic. Anonim.Şirket.	Ordinary	50%	Manufacture and packaging of food products	Turkey	31-12

The following companies are owned through subsidiary undertakings:

Name of company	*Holding*	*Proportion held*	*Nature of business*	*Incorporated in*	*A/C'g Date*
McCormick FoodService Limited	Ordinary and preference	100%	Non trading	UK	30-11
Thai Kitchen GmbH	Ordinary	100%	Non trading	Switzerland	30-11
Drogheria e Alimentari S.p.A	Ordinary	100%	Manufacturing, packaging and selling of food products	Italy	30-11
Drogheria e Alimentari France SA	Ordinary	100%	Manufacturing, packaging and selling of food products	France	30-11
Drogheria e Alimentari Deutschland GmbH	Ordinary	100%	Manufacturing, packaging and selling of food products	Germany	30-11
Enrico Giotti S.p.A	Ordinary	100%	Manufacturing and selling of food products	Italy	30-11
Joint venture					
McCormick Kütaş Gida Sanayi Diş Ticaret Anonim Şirket	Ordinary	50%	Manufacturing, packaging and selling of food products	Turkey	30-11
McCormick Condiments South Africa (Pty) Limited	Ordinary	50%	Manufacturing of flavourings and seasonings	South Africa	30-11
McCormick Kutas Switzerland GmbH	Ordinary	50%	Holding company	Switzerland	30-11
McCormick Middle East FZE	Ordinary	50%	Manufacture and distribution of food products	United Arab Emirates	30-11

Notes to the financial statements (continued)

at 30 November 2017

12. Stocks

	2017 *£'000*	*2016* *£'000*
Raw materials	12,110	8,959
Work in progress	1,297	1,505
Finished goods	17,867	13,642
	31,274	24,106

The difference between the purchase price or production cost of goods and their replacement cost is not material.

Stocks recognised as cost of sales for the year ended 30 November 2017 £164,976,000 (2016 £148,184,000).

The stock impairment provisions included in cost of sales for the year ended 30 November 2017 were £2,606,000 (2016 £1,498,000).

13. Debtors

	2017 *£'000*	*2016* *£'000*
Amounts falling due within one year		
Trade debtors	34,948	33,450
Amounts owed by group undertakings	2,128	31,474
Derivative financial instruments	115	575
Other debtors	2,272	1,820
Corporation tax	427	230
Prepayments and accrued income	550	811
Current deferred tax	1,852	1,932
	42,292	70,292
Amounts falling due in more than one year		
Non-current deferred tax	3,230	7,614
Total debtors	45,522	77,906

The trade debtors provision included in administrative costs for the year ended 30 November 2017 were £44,000 (2016 £30,000).

14. Creditors: amounts falling due within one year

	2017 *£'000*	*2016* *£'000*
Bank overdraft	133	-
Trade creditors	29,855	24,786
Derivative financial instruments	1,203	328
Amounts owed to group undertakings	17,514	15,259
Other taxes and social security	1,163	1,209
Corporation tax	-	-
Accruals and deferred income	18,255	12,996
	68,123	54,578

Notes to the financial statements (continued)

at 30 November 2017

15. Creditors: amounts falling due in more than one year

	2017	*2016*
	£'000	*£'000*
Loans from group undertakings (see note 16)	51,700	51,700

16. Loans

Loans repayable, included within long term creditors and all payable to group undertakings, are analysed as follows

	2017	*2016*
	£'000	*£'000*
Not wholly repayable within five years:		
7% unsecured loan repayable on 30 November 2025	14,200	14,200
Not wholly repayable within five years:		
7% unsecured loan repayable on 30 November 2025	37,500	37,500
	51,700	51,700

17. Share capital

	2017	*2016*	*2017*	*2016*
	No.(000)	*No.(000)*	*£'000*	*£'000*
Allotted, called up and fully paid:				
Ordinary shares of 1p each	10,001,000	15,001,000	100,010	150,010

The company is limited by shares and all of the ordinary shares rank pari passu and no preferential rights have been granted.

During the year the company carried out a capital reduction transferring £50,000,000 from share capital to distributable reserves.

Notes to the financial statements (continued)

at 30 November 2017

18. Share based payment plans

The company has two types of share-based compensation awards: restricted stock units (RSUs) and share options, including grants under an employee stock purchase plan (ESPP). All awards relate to shares of the ultimate parent company, McCormick & Company, Incorporated and are granted and approved by the Board of McCormick & Company Incorporated.

RSUs are valued at the market price of the underlying stock, discounted by foregone dividends, on the date of grant. Substantially all of the RSUs granted vest over a three-year term or upon retirement.
Stock options are granted with an exercise price equal to the market price of the stock on the date of the grant. Substantially all of the options vest rateably over a three-year period or upon retirement and are exercisable over a 10-year period.
As a member of a group whose employees are granted a share-based payment award by the ultimate parent company, the company recognises and measures the share-based payment expense on the basis of a reasonable allocation of the expense for the group, the basis of the allocation being the charge recognised under US GAAP in the ultimate parent company's accounts in respect of the employees of the company. The expense recognised for share based payments in respect of employee services received during the year ended 30 November 2017 is £1,207,000 (2016 £1,202,000).

The company is a wholly owned subsidiary of McCormick & Company Incorporated. These financial statements are included in the consolidated group financial statements of the ultimate parent undertaking which are publicly available.

The company has taken advantage of the exemption in FRS 102 share based payment party transactions, Section 26 paragraphs 26.18(b), 26.19 to 26.21 and 26.23 "Share based payments" not to disclose the share based payment arrangements of its ultimate parent company.

19. Obligations under lease contracts

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2017		*2016*	
	Land and buildings £'000	*Plant and machinery £'000*	*Land and buildings £'000*	*Plant and machinery £'000*
Operating leases which expire				
Not later than one year	410	1,237	300	966
Later than one year and not later than five years	537	2,181	446	872
Later than five years	-	20	-	-
	947	3,438	746	1,838

20. Pensions

The disclosures below have been prepared for McCormick (UK) Limited (the Company) in relation to benefits payable from the McCormick (UK) Limited Pension & Life Assurance Scheme (the Scheme).

The Scheme is a funded scheme of the defined benefit type, providing retirement benefits based on final salary.

Following the actuarial valuation of the scheme as at 31 March 2017, it was agreed that deficit contributions of £2.29m per annum would be paid to the scheme until 31 December 2017. As the Scheme closed to future accrual with effect from 31 December 2016, no contributions are payable by the Company or employees in respect of benefit accrual. Additional Company contributions may be required if there are any redundancies or augmentations during the year.

The valuation used for FRS 102 disclosures has been based on a full assessment of the liabilities of the Scheme as at 31 March 2017, with the results rolled forward in an approximate manner to 30 November 2017 allowing for benefits paid and actual increases to members' benefits over this period. The present

Notes to the financial statements (continued)

at 30 November 2017

20. Pensions (continued)

values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method.

The principal assumptions used by the independent qualified actuary to calculate the liabilities under FRS 102 are set out below:

Main financial assumptions	*2017* *% p.a.*	*2016* *% p.a.*
RPI inflation	3.10	3.20
CPI inflation	2.10	2.20
Salary increases	3.30	3.40
Pension increases:		
-Pre April 1997	0.00	0.00
-April 1997 – April 2006	3.00	3.10
-Post April 2006	2.10	2.10
Discount rate for Scheme liabilities	2.74	2.95
Expected rate of return on Scheme assets*	2.74	2.95

**In accordance with FRS102, this assumption is set equal to the discount rate. It will be used in the calculation of the net interest cost item of the profit and loss charge.*

Mortality assumption

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements.

The assumptions are that a member currently aged 65 will live on average for a further 22 years if they are male and for a further 24 years if they are female.

For a member who retires in 2037 at age 65, the assumptions are that they will live on average for a further 24 years if they are male and for a further 26 years if they are female.

Sensitivities of assumptions

The table below provides information on the sensitivity of the defined benefit obligation to changes to the most significant actuarial assumptions.

The table shows the impact of changes to each assumption in isolation although, in practise, changes to assumptions may occur at the same time and can either offset or compound the overall impact in the defined benefit obligation.

These sensitivities have been calculated using the same methodology as used for the main calculations, and there has been no change since the previous period to the method and assumptions used in preparing the sensitivity analysis.

Percentage change to defined benefit obligation

Assumption	Change to assumption	
	Increase by 1% p.a.	Decrease by 1% p.a.
Discount Rate	-21%	+26%
Inflation	+13%	-11%

An increase of one year in the assumed life expectancy of both males and females would increase the defined benefit obligation by 4%.

Notes to the financial statements (continued)

at 30 November 2017

20. Pensions (continued)

Fair value of assets by class

	Value at 30 November 2017 £'000	Value at 30 November 2016 £'000
Equities	82,982	80,377
Bonds	66,758	57,264
Cash	239	56
Total	149,979	137,697

Reconciliation of funded status to balance sheet

	Value at 30 November 2017 £'000	Value at 30 November 2016 £'000
Fair value of scheme assets	149,979	137,697
Present value of funded scheme liabilities	(133,454)	(146,529)
Gross pension asset / (liability)	16,525	(8,832)

Changes to the present value of the defined benefit obligation

Year ending	30 November 2017 £'000	30 November 2016 £'000
Opening defined benefit obligation	146,529	118,039
Current service cost	132	1,408
Administration expenses	105	98
Interest costs	4,099	4,457
Contributions by participants	21	272
Remeasurement gains / losses		
Actuarial gains /losses on Scheme liabilities in respect of assumptions	794	26,230
Actuarial gains /losses on Scheme liabilities in respect of experience	(5,584)	(208)
Net benefits paid out	(6,388)	(3,767)
Curtailments	(6,254)	-
Closing defined benefit obligation	133,454	146,529

Notes to the financial statements (continued)
at 30 November 2017

20. Pensions (continued)

Changes to the fair value of Scheme assets

Year ending	30 November 2017	30 November 2016
	£'000	£'000
Opening fair value of Scheme assets	137,697	114,086
Interest income on scheme assets	4,044	4,381
Remeasurement (gains) / losses		
Return on scheme assets less interest income	12,221	19,169
Contributions by the Company	2,384	3,556
Contributions by participants	21	272
Net benefits paid out	(6,388)	(3,767)
Settlements	-	-
Closing fair value of assets	149,979	137,697

Actual return on scheme assets

Year ending	30 November 2017	30 November 2016
	£'000	£'000
Interest income on scheme assets	4,044	4,381
Return on scheme assets less interest income	12,221	19,169
Total return on scheme assets	16,265	23,550

Analysis of profit and loss charge

Year ending	30 November 2017	30 November 2016
	£'000	£'000
Current service cost	132	1,408
Administration expenses	105	98
Net interest cost	55	76
Past service	-	-
Curtailment cost	(6,254)	-
Settlement cost	-	-
Total return on scheme assets	(5,962)	1,582

Analysis of amounts recognised in other comprehensive income

Year ending	30 November 2017	30 November 2016
	£'000	£'000
Return on scheme assets less interest income	12,221	19,169
Gains / (losses) on assumptions	(794)	(26,230)
Experience gains / (losses) on scheme liabilities	5,584	208
Total gain / (loss)	17,011	(6,853)

21. Guarantees and other financial commitments

In March 2009 the company's immediate parent undertaking, McCormick Europe Limited, committed to guarantee the company's defined benefit pension scheme to a funded level of 105%, calculated in accordance with the provisions of Section 179 of the Pensions Act 2004.

Notes to the financial statements (continued)

at 30 November 2017

22. Financial Instruments

	2017 *£'000*	*2016* *£'000*
Financial assets at fair value through profit or loss		
Derivative financial instruments	115	575
Financial liabilities at fair value through profit or loss		
Derivative financial instruments	(1,203)	(328)
Financial assets measured at amortised cost		
Trade debtors	34,948	33,450
Amounts owed by group undertakings	2,128	31,474
Other debtors	2,009	1,820
Financial liabilities measured at amortised cost		
Trade creditors	(29,855)	(24,786)
Amounts owed to group undertakings	(17,514)	(15,259)
Loans	(51,700)	(51,700)

Derivative financial instruments are used to enhance our ability to manage risk which exist as part of our ongoing business operations. We do not enter into contracts for trading purposes, nor are we a party to any leveraged derivative instrument and all derivatives are designated as hedges. We are not a party to master netting arrangements, and we do not offset the fair value of derivative contracts with the same counterparty in our financial statement disclosures. The use of derivative financial instruments is monitored through regular communication with senior management and the use of written guidelines.

23. Related party transactions

During the year, the company entered into the following transactions with its 50% joint ventures, in the ordinary course of the business. Transactions entered into, and trading balances outstanding at 30 November, are as follows:

Related party	*Sales to* *£'000*	*Purchases from* *£'000*	*Amounts owed from* *£'000*	*Amounts owed to* *£'000*
McCormick Kütaş Gida Sanayi Diş Ticaret Anonim Şirket				
2017	2,100	1,693	173	458
2016	1,457	1,328	139	236
McCormick Kütaş Switzerland GmbH				
2017	-	-	-	-
2016	46	-	99	-
McCormick Middle East FZE				
2017	2,575	65	624	11
2016	212	154	192	154

Sales and purchases between related parties are made at normal market prices. Outstanding balances with these related parties are unsecured, interest free and cash settlement is expected in line with standard trade terms.

During the year ended 30 November 2017 the company has not made any provision for doubtful debts (2016 £nil) and no amounts have been written off (2016 £nil) relating to the amounts owed by these related parties.

The company is a wholly owned subsidiary of McCormick & Company Incorporated. These financial statements are included in the consolidated group financial statements of the ultimate parent undertaking which are publicly available.

The company has taken advantage of the exemption in FRS 102 related party transactions, Section 33.1A "Related Party Disclosures" not to disclose transactions with other wholly owned group undertakings.

Notes to the financial statements (continued)

at 30 November 2017

24. Immediate, ultimate parent undertaking and controlling party

The company's immediate parent undertaking is McCormick International Holdings, a company incorporated in the United Kingdom. The company's ultimate parent undertaking and controlling party remains McCormick & Company, Incorporated, a company incorporated in the USA.

The parent undertaking of the smallest and largest group, of which the company is a member, and for which group financial statements are prepared, is McCormick & Company, Incorporated. Copies of the consolidated financial statements for McCormick & Company, Incorporated are available from its principal place of business at 18 Loveton Circle, Sparks, Maryland, MD 21152-6000, USA.