Registered No: SC015262

# McCormick (UK) Limited

## Report and Financial Statements

30 November 2010

# Directors' report

The directors present their report and the financial statements for the year ended 30 November 2010.

## Results and dividends

The loss after taxation for the year amounted to £4,041,000 (2009: loss £16,104,000). The directors do not recommend the payment of any dividend (2009: £nil). The retained loss for the year was £4,041,000 (2009: loss £16,104,000).

## Principal activities and 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 operating results for the year ended 30 November 2010 were satisfactory and the directors are optimistic about the prospects for continued growth in the business. The company's key financial and other performance indicators during the year were as follows:

| | *2010* | *2009* | *Change* |
|---|---|---|---|
| | *£'000* | *£'000* | *%* |
| Turnover | 186,927 | 179,736 | +4.0% |
| Operating loss | (4,569) | (10,678) | +57.2% |
| Loss after tax | (4,041) | (16,104) | +74.9% |
| Average number of employees | 760 | 793 | -4.2% |

The results of the company during 2010 show favourability at all levels compared to 2009. The performance of the Industrial division was particularly strong; improved relationships with key customers driving significant volume growth. Ongoing challenges in the UK and global economy continued to impact the retail business, despite signs of growth in the early part of the year.

Through 2010, the company continued the process of rebuilding its Foodservice division, which was hit particularly hard in 2009 when its principal distributor, Jenks Sales Brokers, entered administration. The stabilisation of this business had a direct influence on the reduced losses reported by the company in 2010, a situation also aided by significant improvements to factory efficiency and a successful programme of cost saving initiatives.

The reduction in headcount is mainly attributable to reorganisation within various areas of the company to support the ongoing strategy of optimising the company's efficiency and profitability. The directors believe that the company is well placed going into the new financial year, with continued focus on higher margin products and maximising efficiencies across the business driving a return to operating profitability in the near future.

On 27 November 2010, the company acquired 100% of the share capital of McCormick SA, the group's Swiss trading business, from its ultimate parent company McCormick & Co., Inc.

# Directors' 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.

Financial instrument risks

The company operates within a risk and financial management framework established by its ultimate parent company. The primary objectives of this framework are to protect the group from the events that hinder the achievements of the group's performance objectives. The company's financial instruments comprise cash, trade debtors and trade creditors that arise directly from the trading activities carried out by the company.

Use of derivatives

On behalf of the company, its ultimate parent company enters into forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any excess foreign currency receipts/payments. The gains/losses incurred in relation to the UK company remain with the ultimate parent company.

Exposure to credit, liquidity and cash flow risks

Credit risk is the risk that one party to the financial instrument will cause a financial loss for that 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 annual review to ensure continuous 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, applying cash collection targets and seeking support from the parent company where necessary.

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability such as a foreign currency creditor. The company manages this risk, where significant, by the use of derivatives as explained above.

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.

# Directors' report (continued)

## Future developments

The company continues to review its business activities in order to improve profitability despite the recent general economic downturn and unexpected one time costs. This will be achieved through growth opportunities in existing and developing markets, and through maximising cost efficiencies across existing operations.

## Events since the balance sheet date

On 29 December 2010, McCormick (UK) Limited acquired 50% of the share capital of a newly formed Turkish company - McCormick Yıldız Gıda Sanayi ve Ticaret Anonim Şirket. This new joint venture will supply herbs and spices to the Turkish consumer market, with trading expected to commence during 2011.

## 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.

## 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 divisional management at the company's various locations and by way of company meetings, information bulletins 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.

McCormick (UK) Limited's goal is to create health and safety practices and work environments that enable employees to work injury-free. This is accomplished by continually reducing occupational injury and illness risks while promoting employee health and well-being.

McCormick & Co. Inc., for which McCormick (UK) Limited is a subsidiary, publishes an annual corporate responsibility report where detailed company wide employee commitments, initiatives and key performance indicators can be found.

## The environment

McCormick (UK) Limited's goals are to provide products and services that are safe and environmentally sound throughout their lifecycles, and conduct operations in an environmentally responsible manner. To accomplish this, the company will:

- pursue pollution prevention, energy conservation and waste reduction in operations;
- design and manufacture products to be safe to use and to minimise their environmental impact;
- require suppliers to conduct their operations in a socially and environmentally responsible manner.

The company achieves this by integrating these objectives into business planning, decision-making, performance tracking and review processes to ensure that goals are reached and continually improved upon.

McCormick & Co. Inc., for which McCormick (UK) Limited is a subsidiary, publishes an annual corporate responsibility report where detailed company wide environmental commitments, initiatives and key performance indicators can be found.

# Directors' report (continued)

## Supplier payment policy

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensuring that suppliers are made aware of and abide by the terms of payment. Trade creditors of the company at 30 November 2010 were equivalent to 38 days purchases, based on the average daily amount invoiced by suppliers during the year (2009: 33 days).

## Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever applicable.

## Charitable contributions

The company has made gifts for charitable purposes amounting to £72,938 (2009: £39,132) to local and national charities serving the needs of the community.

## Going concern

The company's business activities, together with the factors likely to affect its future development, performance, its financial position, its cash flows, financial risk management objectives, details of its financial instruments and exposures to price, credit and liquidity risk are described in the Review of the Business and Principle risks and uncertainties on pages 1 and 2.

The company is expected to generate positive cash flows on its own account 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 & Co., Inc. 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.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of McCormick & Co., Inc., the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual report and accounts.

## Directors of the company

The current directors and those who served as directors during the year are as follows:

L Kurzius
D Steele
M Williams
M Swift
F Gouby
R Gill
R Carper

## Directors' qualifying third party indemnity provisions

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.

# Directors' report (continued)

### Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed above. Having made enquires of fellow directors and of the company's auditors, each of these directors confirm that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are not aware; and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

### Auditors

The company has passed the following elective resolutions:

(1) That for the purpose of Section 252 of the Companies Act 1985 which continues in force under the Companies Act 2006, the company elected to dispense with the laying of financial statements and reports before the company in general meeting;

(2) That for the purpose of Section 366A of the Companies Act 1985 which continues in force under the Companies Act 2006, the company elected to dispense with the holding of Annual General Meetings;

(3) That for the purpose of Section 386 of the Companies Act 1985 which continues in force under the Companies Act 2006, the company elected to dispense with the obligation to appoint auditors annually.

On behalf of the Board

D Steele
Director

Date: 21/3/11

Registered Office: Lochside House
7 Lochside Avenue
Edinburgh Park
Edinburgh
EH12 9DJ

# Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

The directors are responsible for keeping proper 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 auditors' report

**to the members of McCormick (UK) Limited**

We have audited the financial statements of McCormick (UK) Limited for the year ended 30 November 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities 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. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

## Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2010 and of its loss 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.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# Independent auditors' report

**to the members of McCormick (UK) Limited (continued)**

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

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

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

Ernst & Young LLP

David Hales (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading

Date: 21 Mar 2011

# Profit and loss account

**for the year ended 30 November 2010**

| | Note | 2010<br>£'000 | 2009<br>£'000 |
|---|---|---|---|
| ***Turnover*** | 2 | 186,927 | 179,736 |
| Cost of sales | | (160,627) | (156,612) |
| ***Gross profit*** | | 26,300 | 23,124 |
| Distribution costs | | (9,813) | (9,541) |
| Administrative expenses | | (18,720) | (21,435) |
| Research and development expenditure | | (5,272) | (4,718) |
| Management fee income | | 3,410 | 2,312 |
| Share incentive scheme charges | | (474) | (420) |
| | | (30,869) | (33,802) |
| ***Operating loss*** | 2,3 | (4,569) | (10,678) |
| Income from investments | 6 | 386 | 378 |
| Bank interest income | | 4 | 37 |
| Interest payable | 7 | (566) | (528) |
| Other finance (costs) / income | 8 | 704 | (236) |
| | | 528 | (349) |
| ***Loss on ordinary activities before taxation*** | | (4,041) | (11,027) |
| Taxation | 9 | - | (5,077) |
| ***Loss on ordinary activities after taxation and loss retained for the year*** | 20 | (4,041) | (16,104) |

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

# Statement of recognised gains and losses

**for the year ended 30 November 2010**

| | | 2010 £'000 | 2009 £'000 |
|---|---|---|---|
| Retained loss for the year | | (4,041) | (16,104) |
| Actuarial gain/(loss) recognised on defined benefit pension scheme | 23 | 3,529 | (9,641) |
| Movement on deferred tax related to pension liability | | (1,718) | 1,877 |
| ***Total recognised gains and losses relating to the year*** | | 2,230 | (23,868) |

# Balance sheet

**at 30 November 2010**

| | Note | £'000 | 2010 £'000 | £'000 | 2009 £'000 |
|---|---|---|---|---|---|
| ***Fixed assets*** | | | | | |
| Intangible assets | 10 | | 760 | | 1,371 |
| Tangible assets | 11 | | 34,520 | | 33,900 |
| Investments | 12 | | 55,202 | | 22,388 |
| | | | 90,482 | | 57,659 |
| ***Current assets*** | | | | | |
| Stocks | 13 | | 21,685 | | 22,418 |
| Debtors: amounts falling due within one year | 14 | | 29,647 | | 30,032 |
| Cash at bank and in hand | | | 185 | | 292 |
| ***Total current assets*** | | | 51,517 | | 52,742 |
| ***Creditors:*** amounts falling due within one year | 15 | | (44,960) | | (42,502) |
| ***Net current assets*** | | | 6,557 | | 10,240 |
| ***Total assets less current liabilities*** | | | 97,039 | | 67,899 |
| ***Creditors:*** amounts falling due in more than one year | 16 | | (11,260) | | (10,723) |
| ***Net assets excluding pension liability*** | | | 85,779 | | 57,176 |
| Pension liability | 23 | | (3,535) | | (8,176) |
| ***Net assets including pension liability*** | | | 82,244 | | 49,000 |
| ***Capital and Reserves*** | | | | | |
| Called up share capital | 18 | | 124,010 | | 89,010 |
| Profit and loss account | 19 | | (46,373) | | (44,143) |
| Share incentive scheme contribution reserve | 19 | | 4,607 | | 4,133 |
| ***Total equity shareholders' funds*** | 20 | | 82,244 | | 49,000 |

Approved by the Board:

D Steele
Director

Date: 21/3/11

# Notes to the financial statements

**at 30 November 2010**

## 1. Accounting policies

***Basis of preparation***

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

***Fundamental accounting concept***

The company continues to receive ongoing financial support from its parent company McCormick & Co. Inc. The directors believe it is appropriate to prepare the financial statements on a going concern basis.

***Group financial statements***

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 consolidated financial statements of its ultimate parent company, McCormick & Co. Inc, a company incorporated in the USA. Therefore, these financial statements present information about the company and not its group.

***Cash flow statement***

No company cash flow statement has been prepared as permitted by FRS1 (Revised) because the financial statements of the company's ultimate parent company, which include this company's cash flows, are publicly available.

***Pension costs***

The company operates both a defined benefit pension scheme and a defined contribution 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 increase in the present value of the liabilities of the defined benefit scheme expected to arise from employee service in the period, is charged to operating profit.

The expected return on the scheme's assets and the increase during the period in the present value of the schemes liabilities arising from the passage of time, are included in other finance costs.

Actuarial gains and losses are recognised in full within the statement of total recognised gains and losses in the period in which they occur.

The defined benefit pension liability in the balance sheet comprises the total of the present value of the defined benefit obligation, less any past service cost not yet recognised and less the fair-value of plan assets out of which the obligations are to be settled directly. The fair value of plan assets is based on market price information and in the case of quoted securities is the published bid price.

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

***Research and development expenditure***

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

# Notes to the financial statements

**at 30 November 2010**

## 1. Accounting policies (continued)

***Equity settled share-based payment transactions***

Under FRS 20 "Share based payments", the cost of granting share options and restricted stock units ("RSUs") to employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a binomial lattice methodology.

The cost of granting share options and RSUs is recognised over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting'). The cumulative expense recognised for the granting of share options and RSUs at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that will ultimately vest, based on the best estimates available to the directors at that date. The charge to the profit and loss account for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest.

A credit is made to a capital contribution reserve in respect of the charge for the share options and RSUs.

Where the terms of an equity-settled award are modified so as to accelerate the vesting period of the award, the previously unrecognised cost of the original award is recognised over the remaining reduced vesting period.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

The company has taken advantage of the transitional provisions of FRS 20 in respect of equity settled awards and has applied FRS 20 only to share options and RSUs granted after 7 November 2002 that had not vested on or before 1 December 2005.

For awards granted before 7 November 2002, the company recognises only the intrinsic value or cost of these potential awards as an expense. This is accrued over the performance period of each plan based on the intrinsic value of the equity settled awards.

***National Insurance Contributions on share options***

In accordance with UITF 25 "National Insurance contributions on share option grants" and FRS 12 "Provisions, Contingent Liabilities and Contingent Assets", the company provides for National Insurance contributions on gains at the balance sheet date on outstanding share options that are expected to be exercised. The gains are calculated as the difference between the share price at the balance sheet date and the exercise price to be paid by the employee. The requirements apply to all share options granted after 5 April 1999.

Within the agreements for all grants from 2003 onwards is a condition that the employee receiving the grant will reimburse the company for all employer National Insurance contributions. Therefore, the company discloses a provision for the full amount of the contributions due and a separate asset for the reimbursements due from employees. The net movement in the combination of these two accounts is charged to the income statement during the year.

***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 20 years.

# Notes to the financial statements

**at 30 November 2010**

## 1. Accounting policies (continued)

***Intangible assets***

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Intangible assets are amortised on a straight line basis over their estimated useful lives of 10 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

***Fixed assets and depreciation***

Depreciation is provided on all fixed assets, 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 tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

***Leased assets***

Operating lease rentals are charged to the profit and loss account over the term of the lease.

***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.

***Foreign currencies***

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

# Notes to the financial statements

**at 30 November 2010**

## 1. Accounting policies (continued)

***Deferred taxation***

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or receive more tax with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable tax profits from which the future reversal of the underlying timing differences can be deducted.

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.

***Investments***

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

## 2. Turnover and segmental analysis

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

Company turnover and operating profit derives from the manufacture and distribution of food and other products. Analysis of turnover and operating profit by geographical location is as follows:

| | *Turnover* | | *Operating (loss) / profit* | |
|---|---|---|---|---|
| | *2010* | *2009* | *2010* | *2009* |
| | *£'000* | *£'000* | *£'000* | *£'000* |
| *By destination:* | | | | |
| United Kingdom | 133,154 | 130,731 | 2,601 | (4,986) |
| Other European countries | 44,353 | 41,272 | (4,631) | (5,579) |
| Rest of World | 9,420 | 7,733 | (2,539) | (113) |
| | 186,927 | 179,736 | (4,569) | (10,678) |

The geographic source of turnover and operating profit and the geographic location of the company's net assets for both the current and prior year is the United Kingdom.

## 3. Operating loss

This is stated after charging:

| | | *2010* | *2009* |
|---|---|---|---|
| | | *£'000* | *£'000* |
| Research and development expenditure written off | | 5,272 | 4,718 |
| Depreciation of owned assets | | 4,792 | 4,790 |
| Auditors' remuneration | - audit services | 375 | 414 |
| | - taxation services | 5 | 56 |
| | - non audit services | 4 | 6 |
| Operating lease rentals | - land and buildings | 897 | 907 |
| | - plant and machinery | 1,787 | 1,872 |
| Amortisation of goodwill | | 611 | 611 |
| Royalties payable | | 5,414 | 5,341 |

# Notes to the financial statements

**at 30 November 2010**

## 4. Directors' remuneration

| | *2010* | *2009* |
|---|---|---|
| | *£'000* | *£'000* |
| Emoluments | 1,594 | 2,166 |
| Company contributions payable to defined benefit schemes | 28 | 61 |

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

| | *2010* | *2009* |
|---|---|---|
| | *No.* | *No.* |
| Members of money purchase pension scheme | 2 | 2 |
| Members of defined benefit scheme | 1 | 2 |
| Number of directors who exercised options | 3 | 5 |

Included in emoluments above are £149,000 (2009: £426,000) of benefits received in respect of the exercise of share options, and £27,241 (2009: £21,138) of contributions paid into money purchase pension schemes outside of the UK, and £595,000 (2009: £ 358,000) of emoluments paid by McCormick & Co. Inc and recharged to McCormick UK. The emoluments for one director were paid and accounted for by another Company within the McCormick group, McCormick France SAS.

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

| | *2010* | *2009* |
|---|---|---|
| | *£'000* | *£'000* |
| Emoluments | 414 | 565 |
| Company contributions payable to defined benefit schemes | 28 | 25 |

Included in emoluments above are £95,000 (2009: £281,000) of benefits received in respect of the exercise of share options.

The directors' remuneration relates to their services performed for all UK companies within the McCormick & Co. Inc. group. The directors do not consider it practical to split their remuneration between the services provided to the company and the services provided to the other group companies.

# Notes to the financial statements

**at 30 November 2010**

## 5. Staff costs

| | *2010* *£'000* | *2009* *£'000* |
|---|---|---|
| Wages and salaries | 37,873 | 38,334 |
| Social security costs | 2,864 | 2,902 |
| Share incentive scheme charges | 472 | 419 |
| Defined benefit service cost (note 23) | 1,432 | 1,313 |
| Contribution to defined contribution scheme | 643 | 603 |
| | 43,284 | 43,571 |

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

| | *2010* *No.* | *2009* *No.* |
|---|---|---|
| Manufacturing | 436 | 473 |
| Selling and marketing | 67 | 46 |
| Administration | 257 | 274 |
| | 760 | 793 |

## 6. Income from investments

| | *2010* *£'000* | *2009* *£'000* |
|---|---|---|
| Dividend income | 386 | 378 |

## 7. Interest payable

| | *2010* *£'000* | *2009* *£'000* |
|---|---|---|
| Interest on bank overdrafts | 30 | 17 |
| Interest on loan from group undertaking | 536 | 511 |
| | 566 | 528 |

## 8. Other finance costs

| | *2010* *£'000* | *2009* *£'000* |
|---|---|---|
| Expected return on pension scheme assets | (4,632) | (3,693) |
| Interest on pension scheme liabilities | 3,988 | 3,929 |
| Foreign exchange on cancelled forward contract | (60) | - |
| Total other finance cost / (income) | (704) | 236 |

# Notes to the financial statements

**at 30 November 2010**

## 9. Tax on loss on ordinary activities

*(a) Analysis of tax in the year*

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| *Current tax:* | | |
| UK corporation tax for the year | - | - |
| Total current tax (note 9(b)) | - | - |
| *Deferred tax:* | | |
| Prior year deferred tax debit/(credit) | | - |
| Origination and reversal of timing differences in the current year | - | 5,077 |
| Total deferred tax (note 9(c)) | - | 5,077 |
| Tax on profit on ordinary activities | - | 5,077 |

*(b) Factors affecting tax for the year*

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Loss on ordinary activities before tax | (4,041) | (11,027) |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009: 28.67%) | (1,131) | (3,088) |
| *Effects of:* | | |
| Expenses not deductible for tax purposes (including goodwill amortisation) | 287 | 191 |
| Depreciation in excess of capital allowances | 1,341 | 1,341 |
| Movement on taxed provisions | (939) | (1,140) |
| Statutory deduction for stock options | (384) | (693) |
| Income from investments | (108) | (106) |
| Profit on disposal of fixed assets | - | 23 |
| Group relief surrendered for nil payment | - | 61 |
| Tax losses not utilised | 806 | 3,321 |
| Share incentive plans | 128 | 90 |
| Current tax charge for the year (note 9(a)) | - | - |

# Notes to the financial statements

**at 30 November 2010**

## 9. Tax on loss on ordinary activities (continued)

*(c) Factors that may affect future tax charges*

*Deferred Tax:*

| The deferred tax included in the balance sheet is as follows: | *2010* *£'000* | *2009* *£'000* |
|---|---|---|
| Included in debtors (note 14) | - | - |
| Included in defined benefit pension liability (note 23) | 1,307 | 3,025 |
| | 1,307 | 3,025 |

| | | |
|---|---|---|
| The deferred tax asset recognised is analysed as follows: | | |
| Pension costs | 1,307 | 3,025 |
| Deferred tax asset | 1,307 | 3,025 |

| | *£'000* |
|---|---|
| At 1 December 2009 including deferred tax on defined benefit pension liability | 3,025 |
| Deferred tax debit in profit and loss account (note 9(a)) | - |
| Amount debited to the statement on total recognised gains and losses | (1,718) |
| At 30 November 2010 including deferred tax on defined benefit pension liability | 1,307 |

The elements of unrecognised deferred taxation are shown in note 17.

Under the 2010 Finance Bill, the rate of UK Corporation Tax will reduce from 28% to 27% with effect from 1 April 2011. Further, the 2010 Emergency Budget announced that the UK corporation tax rate will continue to decrease each year by 1% until the rate reaches 24%. A hybrid rate will therefore be used for four years from the year ended 30 November 2010. In addition, there will be a reduction in the rate of capital allowances from 1 April 2012, the main pool reducing from 20% to 18%, and the special rate pool from 10% to 8%.

The effect of the reduction in the tax rate to 24% would be to reduce the UK deferred tax asset relating to the Company's net pension liability to £1,162,080.

# Notes to the financial statements

**at 30 November 2010**

## 10. Intangible fixed assets

| | *Trademark* *£'000* | *Goodwill* *£'000* | *Total* *£'000* |
|---|---|---|---|
| *Cost:* | | | |
| At 1 December 2009 and 30 November 2010 | 53 | 12,211 | 12,264 |
| Amortisation: | | | |
| At 1 December 2009 | 53 | 10,840 | 10,893 |
| Provided during the year | - | 611 | 611 |
| At 30 November 2010 | 53 | 11,451 | 11,504 |
| Net book value: | | | |
| At 30 November 2010 | - | 760 | 760 |
| At 1 December 2009 | - | 1,371 | 1,371 |

## 11. Tangible fixed assets

| | *Freehold land and buildings* *£'000* | *Leasehold property* *£'000* | *Plant, machinery, vehicles and equipment* *£'000* | *Assets in the course of construction* *£'000* | *Total* *£'000* |
|---|---|---|---|---|---|
| *Cost:* | | | | | |
| At 1 December 2009 | 20,100 | 1,642 | 47,416 | 231 | 69,389 |
| Additions | 430 | - | 3,873 | 1,108 | 5,411 |
| At 30 November 2010 | 20,530 | 1,642 | 51,289 | 1,339 | 74,800 |
| *Depreciation:* | | | | | |
| At 1 December 2009 | 4,199 | 143 | 31,147 | - | 35,489 |
| Provided during the year | 636 | - | 4,155 | - | 4,791 |
| At 30 November 2010 | 4,835 | 143 | 35,302 | - | 40,280 |
| *Net book value:* | | | | | |
| At 30 November 2010 | 15,695 | 1,499 | 15,987 | 1,339 | 34,520 |
| At 1 December 2009 | 15,901 | 1,499 | 16,269 | 231 | 33,900 |

# Notes to the financial statements

**at 30 November 2010**

## 12. Investments

| | *Subsidiaries* | *Joint venture* | *Total* |
|---|---|---|---|
| | *£'000* | *£'000* | *£'000* |
| *Cost and net book value:* | | | |
| At 1 December 2009 | 22,158 | 230 | 22,388 |
| Additions | 32,814 | - | 32,814 |
| 30 November 2010 | 54,972 | 230 | 55,202 |

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 below. Unless otherwise shown the investments are in companies incorporated within the United Kingdom.

| *Name of company* | *Holding* | *Proportion held* | *Nature of business* |
|---|---|---|---|
| McCormick South Africa (Pty) Limited[1] | Ordinary shares | 100% | Dry savoury flavourings for the crisp and snack markets |
| McCormick Littleborough Limited | Ordinary shares | 100% | Dormant |
| Noël Holdings Limited | Ordinary shares | 100% | Holding company |
| McCormick FoodService Limited[2] | Ordinary and preference shares | 100% | Non trading |
| McCormick Merchandising Services Limited | Ordinary shares | 100% | Provision of merchandising services |
| Schwartz Spices Limited | Ordinary shares | 100% | Dormant |
| Beswicks Limited[2] | Ordinary shares | 100% | Dormant |
| MCC Foods Limited[2] | Ordinary shares | 100% | Dormant |
| McCormick SA[4] | Ordinary shares | 100% | Distribution of flavourings and seasonings |
| Thai Kitchen GmbH[4] | Ordinary shares | 100% | Non trading |
| *Joint venture* | | | |
| McCormick Kutas Food Service Limited[3] | Ordinary shares | 50% | Food importation |
| McCormick Kütaş Gida Sanayi Diş Ticaret Anonim Şirket | Ordinary shares | 50% | Manufacturing of flavourings and seasonings |
| McCormick Condiments South Africa (Pty) Limited[1,2] | Ordinary shares | 50% | Manufacturing of flavourings and seasonings |

1) Incorporated in the Republic of South Africa.
2) Investments held via a subsidiary undertaking.
3) The accounting reference date of the joint venture is 31 October
4) Incorporated in Switzerland.

# Notes to the financial statements

**at 30 November 2010**

## 12. Investments (continued)

On 27 November 2010 the company acquired McCormick SA for a consideration of £32,814,000. The investment in McCormick SA has been included in the company's balance sheet at its fair value at the date of acquisition.

On 29 December 2010, McCormick (UK) Limited acquired 50% of the share capital of a newly formed Turkish company - McCormick Yıldız Gıda Sanayi ve Ticaret Anonim Şirket. This new joint venture will supply herbs and spices to the Turkish consumer market, with trading expected to commence during 2011.

## 13. Stocks

| | *2010* | *2009* |
|---|---|---|
| | *£'000* | *£'000* |
| Raw materials | 8,731 | 8,559 |
| Work in progress | 738 | 511 |
| Finished goods | 12,216 | 13,348 |
| | 21,685 | 22,418 |

## 14. Debtors: amounts falling due within one year

| | *2010* | *2009* |
|---|---|---|
| | *£'000* | *£'000* |
| Trade debtors | 25,410 | 25,796 |
| Amounts owed by group undertakings | 1,685 | 1,786 |
| Other debtors | 1,771 | 1,589 |
| Prepayments and accrued income | 780 | 861 |
| | 29,647 | 30,032 |

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

| | *2010* | *2009* |
|---|---|---|
| | *£'000* | *£'000* |
| Bank overdraft | 711 | 4,398 |
| Trade creditors | 15,959 | 14,033 |
| Amounts owed to group undertakings | 8,639 | 7,679 |
| Accruals and deferred income | 18,411 | 15,006 |
| Other taxes and social security | 1240 | 1,386 |
| | 44,960 | 42,502 |

# Notes to the financial statements

**at 30 November 2010**

## 16. Creditors: amounts falling due in more than one year

| | *2010* *£'000* | *2009* *£'000* |
|---|---|---|
| Amounts owed to group undertakings | 11,260 | 10,723 |

The amount owed to group undertakings is a loan repayable to McCormick Switzerland GmbH on 31 March 2011 and carries an interest rate of 8%.

## 17. Deferred taxation

The deferred tax assets which have not been recognised in the financial statements, because the directors do not consider that it is more likely than not that there will be suitable taxable profits in the short term from which the future reversal of the underlying timing differences can be deducted, are as follows:

| | *2010* *£'000* Recognised | *2010* *£'000* Not recognised | *2009* *£'000* Recognised | *2009* *£'000* Not recognised |
|---|---|---|---|---|
| Depreciation in excess of capital allowances | - | 8,395 | - | 7,187 |
| Other timing differences | - | 946 | - | 1,087 |
| Pension asset | 1,307 | - | 3,025 | - |
| Tax losses not recognised | - | 7,263 | - | 6,467 |
| Share incentive plans | - | 152 | - | 161 |
| Deferred tax asset | 1,307 | 16,756 | 3,025 | 14,902 |

As per note 9, the effect of the reduction in the tax rate to 24% would be to reduce the UK deferred tax asset relating to the Company's deferred tax asset not recognised to £14,894,000

## 18. Share capital

| *Allotted, called up and fully paid:* | *2010* *No.(000)* | *2009* *No.(000)* | *2010* *£'000* | *2009* *£'000* |
|---|---|---|---|---|
| Ordinary shares of 1p each | 12,401,000 | 8,901,000 | 124,010 | 89,010 |

# Notes to the financial statements

**at 30 November 2010**

## 19. Statement of movement in reserves

| | *Profit and Loss account* | *Share incentive scheme contribution reserve* |
|---|---|---|
| | *£'000* | *£'000* |
| At 1 December 2009 | (44,143) | 4,133 |
| Retained loss for the year | (4,041) | - |
| Actuarial profit recognised on defined benefit pension scheme | 3,529 | - |
| Movement on deferred tax related to pension liability | (1,718) | - |
| Share-based payment | - | 474 |
| At 30 November 2010 | (46,373) | 4,607 |

## 20. Reconciliation of movements in shareholders' funds

| | *2010* | *2009* |
|---|---|---|
| | *£'000* | *£'000* |
| Loss for the financial year ended 30 November | (4,041) | (16,104) |
| Actuarial gain / (loss) recognised on defined benefit pension scheme | 3,529 | (9,641) |
| Movement on deferred tax related to pension liability | (1,718) | 1,877 |
| Share based payment charge for the financial year | 474 | 420 |
| New shares issued | 35,000 | - |
| Net increase / (decrease) to shareholders' funds | 33,244 | (23,448) |
| Opening shareholders' funds at 1 December | 49,000 | 72,448 |
| At 30 November | 82,244 | 49,000 |

## 21. 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 & Co. Inc. and are granted and approved by the Board of McCormick & Co. Inc. Below are summarised the key terms and methods of valuation for each type of share-based compensation award:

# Notes to the financial statements

**at 30 November 2010**

## 21. Share based payment plans (continued)

**RSUs**

RSUs are valued at the market price of the underlying shares on the date of grant. All of the RSUs vest over a two year term, 50% on the first anniversary of the grant date and 50% on the second anniversary, and are expensed rateably over that period.

The following table summarises the number and weighted average grant-date fair value ("WAFV") of, and movements in, RSUs during the years ended 30 November 2009 and 2010. Prices are shown in US dollars, being the actual transactional currency of the shares.

| | *2010 No.* | *2010 WAFV $* | *2009 No.* | *2009 WAFV $* |
|---|---|---|---|---|
| Outstanding as at 1 December | 27,783 | 31.05 | 23,461 | 37.78 |
| Granted during the year | 13,376 | 36.75 | 16,990 | 28.40 |
| Vested during the year | (20,604) | 32.28 | (14,441) | 37.89 |
| Forfeited during the year | (908) | 31.12 | (769) | 31.02 |
| Transfers from/(to) other group companies | - | - | 2,542 | 30.33 |
| Outstanding at 30 November | 19,647 | 33.64 | 27,783 | 31.05 |

The range of the WAFV of the RSUs outstanding at 30 November 2010 was $28.40 - $36.75 (2009: $28.40 - $37.59).

Transfers relate to RSUs that were transferred upon the transfer of employees to/from other companies within the McCormick group.

**Employee Share Option Plan**

Share options are granted with an exercise price equal to the market price of the stock at the date of grant. Substantially all of the options granted are exercisable rateably over a four year vesting period, 25% on each of the four anniversaries following the initial grant.

Any options granted that have not vested by each anniversary date are forfeited if the employee leaves the company before the said date.

The fair values of the options are estimated using a lattice option pricing model which uses the assumptions in the table below. This model provides a better estimated fair value of the options as it uses a range of possible outcomes over an option term and can be adjusted for changes in certain assumptions over time. Expected volatilities are based on the historical performance of the stock. Historical data is also used to estimate the timing and amount of option exercises and forfeitures within the valuation model. The expected term of the options is an output of the option pricing model and estimates the period of time that options are expected to remain unexercised. The risk-free interest rate is based on the US Treasury yield curve in effect at the time of grant.

| | *2010* | *2009* |
|---|---|---|
| *Risk-free interest rates* | 0.2 - 3.8% | 0.2 - 2.7% |
| Dividend yield | 2.7% | 3.2% |
| Expected volatility | 20.4 - 24.2% | 24.9% |
| Expected term | 6.2years | 6.2 years |

# Notes to the financial statements

**at 30 November 2010**

## 21. Share based payment plans (continued)

Under the share option plans, shares may be issued on a net basis at the request of the option holder. This occurs by netting the option cost in shares from the shares exercised.

The following table summarises the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the years ended 30 November 2009 and 2010. Prices are shown in US dollars, being the actual transactional currency of the options. The exchange rate from US dollars to Sterling at 30 November 2010 was £1:$1.65140 (2009: £1:$1.53772).

| | *2010 No.* | *2010 WAEP $* | *2009 No.* | *2009 WAEP $* |
|---|---|---|---|---|
| Outstanding as at 1 December | 381,048 | 31.71 | 679,306 | 27.94 |
| Granted during the year | 35,400 | 38.36 | 38,500 | 29.89 |
| Exercised | (142,527) | 28.76 | (315,484) | 22.18 |
| Forfeited or expired during the year | (68,598) | 37.00 | (31,474) | 38.09 |
| Transfers from/(to) other group companies | - | - | 10,200 | 31.14 |
| Outstanding at 30 November | 205,323 | 32.94 | 381,048 | 31.71 |
| Exercisable at 30 November | 134,930 | 31.95 | 336,698 | 31.72 |

Included within these balances are options over 6,650 (2009: 24,501) shares for which share option charges have not been recognised in accordance with FRS 20 as the options were granted on or before November 7th 2002.

The range of the exercise prices of the options outstanding at 30 November 2010 was $17.85 - $38.36 (2009: $12.72 - $38.35).

The weighted average fair value of options granted during the year was $6.88 per share (2009: $5.04 per share).

The weighted average remaining contractual life of the options outstanding at 30 November 2010 was 8.41 years (2009: 5.40 years).

Transfers relate to share options that were transferred upon the transfer of employees to/from other companies within the McCormick group.

## 22. Leasing commitments

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

| | *2010* | | *2009* | |
|---|---|---|---|---|
| | *Land and buildings £'000* | *Plant and machinery £'000* | *Land and buildings £'000* | *Plant and machinery £'000* |
| *Operating leases which expire:* | | | | |
| - within one year | 295 | 387 | 59 | 190 |
| - between two and five years | 295 | 685 | 735 | 832 |
| - after five years | 231 | - | 86 | - |
| | 821 | 1,072 | 880 | 1,022 |

# Notes to the financial statements

**at 30 November 2010**

## 23. Pensions

The company operates a defined benefit pension scheme known as McCormick (UK) Limited Pension and Life Assurance Scheme. The scheme is funded by the payment of contributions to a separately administered trust fund. The assets of the scheme are held by a fund managed by Legal and General Assurance (Pensions Management) Limited. The pension contributions to the scheme are determined on the basis of triennial valuation using the projected unit method. The scheme was closed to all new entrants on 31 October 2002.

Since the closure of the defined benefit scheme, all new members are part of the defined contribution scheme. Contributions for this scheme are paid on a monthly basis into this pension scheme.

The valuation used has been based on the most recent actuarial valuation at 31 March 2008 and was updated by the actuary to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 30 November 2010.

McCormick (UK) Limited employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the scheme at 30 November 2010.

Scheme assets are stated at their market values at the respective balance sheet dates. The liabilities of the scheme have been calculated using the following principal actuarial assumptions:

| | *2010* | *2009* | *2008* |
|---|---|---|---|
| Rate of increase in salaries | 3.75% | 3.75% | 4.7% |
| Rate of increase in pensions in payment | 2.1/3.1% | 2.1/3.1% | 2.4/3.6% |
| Rate of increase in pensions in deferment | 2.75% | 3.25% | 3.7% |
| Inflation assumption | 3.25% | 3.25% | 3.7% |
| Discount rate for scheme liabilities | 5.50% | 5.50% | 7.3% |
| | | | |
| Expected long term rates of return on scheme assets: | | | |
| Equities | 8.75% | 8.75% | 8.75% |
| Bonds | 5.20% | 5.20% | 5.20% |
| Cash | 5.20% | 5.20% | 5.20% |
| Total long term rate of return | 7.30% | 7.30% | 7.30% |

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 2030 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 25 years if they are female.

# Notes to the financial statements

**at 30 November 2010**

## 23. Pensions (continued)

The assets and liabilities of the scheme at 30 November are:

| | *Value as at 30 Nov 2010 £'000* | *Value as at 30 Nov 2009 £'000* | *Value as at 30 Nov 2008 £'000* |
|---|---|---|---|
| Equities | 41,956 | 36,300 | 29,275 |
| Bonds | 27,146 | 23,096 | 19,477 |
| Cash | 536 | 3,106 | 1,359 |
| Total market value of assets | 69,638 | 62,502 | 50,111 |
| Present value of scheme liability | (74,480) | (73,703) | (54,212) |
| Defined benefit pension scheme deficit | (4,842) | (11,201) | (4,101) |
| Related deferred tax asset | 1,307 | 3,025 | 1,148 |
| Net pension liability on balance sheet | (3,535) | (8,176) | (2,953) |

The most recent actuarial valuation was completed as at 31 March 2008. The valuation showed a deficit of £17.4m which will be eliminated by the employer's regular contribution of 21.1% of pensionable earnings and further monthly contributions of £192,000 through to 2019.

The amounts recognised in the profit and loss account and in the statement of total recognised gains and losses for the years ended 30 November are as follows:

| | *2010 £'000* | *2009 £'000* |
|---|---|---|
| **Recognised in the Profit and Loss Account** | | |
| Current service costs | 1,432 | 1,038 |
| Past service costs | - | 275 |
| Total operating charge | 1,432 | 1,313 |
| Other finance costs: expected return on pension scheme assets | (4,632) | (3,693) |
| Other finance costs: interest on pension scheme liabilities | 3,988 | 3,929 |
| Total other finance costs/(income) | (644) | 236 |
| Expense recognised in profit and loss | 788 | 1,549 |

# Notes to the financial statements

**at 30 November 2010**

## 23. Pensions (continued)

| | *2010* | *2009* |
|---|---|---|
| | *£'000* | *£'000* |
| **Taken to the Statement of Total Recognised Gains and Losses** | | |
| Actual return less expected return on pension scheme assets | 963 | 7,354 |
| Experience gains / (losses) arising on scheme liabilities | 356 | (220) |
| Gain / (loss) arising from changes in assumptions underlying the present value of scheme liabilities | 2,210 | (16,775) |
| Actuarial gains / (losses) recognised in the statement of total recognised gains and losses | 3,529 | (9,641) |

| *Analysis of movements in deficit during the year:* | *2010* | *2009* |
|---|---|---|
| | *£'000* | *£'000* |
| At 1 December | (11,201) | (4,101) |
| Total operating charge | (1,432) | (1,313) |
| Total other finance (costs)/income | 644 | (236) |
| Actuarial gains /(losses) | 3,529 | (9,641) |
| Contributions | 3,618 | 4,090 |
| At 30 November | (4,842) | (11,201) |

| *Changes to the present value of the defined benefit obligation during the year:* | *2010* | *2009* |
|---|---|---|
| | *£'000* | *£'000* |
| Opening defined benefit obligation | 73,703 | 54,212 |
| Current service cost | 1,432 | 1,038 |
| Interest cost | 3,988 | 3,929 |
| Contributions by scheme participants | 384 | 408 |
| Actuarial (gains) / losses on scheme liabilities | (2,566) | 16,995 |
| Net benefits paid out | (2,461) | (3,154) |
| Past service costs | - | 275 |
| Closing defined benefit obligation | 74,480 | 73,703 |

| *Changes to the fair value of scheme assets during the year:* | *2010* | *2009* |
|---|---|---|
| | *£'000* | *£'000* |
| Opening fair value of scheme assets | 62,502 | 50,111 |
| Expected return on scheme assets | 4,632 | 3,693 |
| Actuarial gains on scheme assets | 963 | 7,354 |
| Contributions by the employer | 3,618 | 4,090 |
| Contributions by scheme participants | 384 | 408 |
| Net benefits paid out | (2,461) | (3,154) |
| Closing fair value of scheme assets | 69,638 | 62,502 |

# Notes to the financial statements

**at 30 November 2010**

## 23. Pensions (continued)

The scheme assets as at 30 November 2010 and 30 November 2009 shown above have been stated at bid price in accordance with FRS17. The 2006 scheme assets have not been re-stated to bid price, and remain at mid price due to the amount of the difference being immaterial.

History of asset values and experienced gains and losses:

| | *2010* | *2009* | *2008* | *2007* | *2006* |
|---|---|---|---|---|---|
| | *£'000* | *£'000* | *£'000* | *£'000* | *£'000* |
| Fair value of scheme assets | 69,638 | 62,502 | 50,111 | 54,677 | 49,400 |
| Present value of defined benefit obligation | (74,480) | (73,703) | (54,212) | (67,133) | (71,253) |
| Deficit in the scheme | (4,842) | (11,201) | (4,101) | (12,456) | (21,853) |
| Experience gains/(losses) on scheme assets | 963 | 7,354 | (13,972) | (429) | 1,479 |
| Experience gains /(losses) on scheme liabilities | 356 | (220) | 1,781 | - | - |

## 24. Guarantees and other financial commitments

In March 2010 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.

## 25. Post balance sheet event

On 29 December 2010, McCormick (UK) Limited acquired 50% of the share capital of a newly formed Turkish company - McCormick Yıldız Gıda Sanayi ve Ticaret Anonim Şirket. This new joint venture will supply herbs and spices to the Turkish consumer market, with trading expected to commence during 2011.

## 26. Related parties

The company has taken advantage of the exemption granted by FRS 8 "Related Party Transactions" from disclosing related party transactions with group undertakings as 100% of the voting rights of the company are held within the group.

## 27. Immediate, ultimate parent undertaking and controlling party

The company's immediate parent undertaking is McCormick Europe Limited, a company incorporated in the United Kingdom. The company's ultimate parent undertaking is McCormick & Co. Inc., 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 & Co. Inc. Copies of the consolidated financial statements for McCormick & Co. Inc. are available from its principal place of business at 18 Loveton Circle, Sparks, Maryland, MD 21152-6000, USA.