

Registered No: SC015262

## **McCormick (UK) Limited**

### **Report and Financial Statements**

30 November 2020



## Corporate information

### Directors

C Jinks

R Charlier

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

36 St Andrews Square

Edinburgh

EH2 2YB

Bank Mendes Gens

Herengracht 619

1017 CE Amsterdam

The Netherlands

HSBC

8 Canada Square

London

E14 5HQ

### Registered office

Exchange Tower

19 Canning Street

Edinburgh

Scotland

United Kingdom

EH3 8EH

## Strategic report

The directors present their Strategic report for the year ended 30 November 2020.

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

	2020 £'000	2019 £'000
Turnover	274,901	284,553
Operating profit	661	4,490
Profit after tax	34,638	9,810
Average number of employees	823	815

The 2020 results of the company show a decline in turnover which is due to the disposal of the Swiss Branch in December 2019. The remaining McCormick UK turnover in 2020 was comparable to 2019 as the impact of COVID-19 on the Flavour Solutions division was offset by growth in the Consumer division. Operating profit declined due to the disposal of the Swiss Branch as well the mix of business between divisions. The Consumer division's main focus was driving the performance of the Schwartz brand during the year. The Flavour Solutions focus was on key customer performance through existing and newly developed products. Both divisions had a continued focus on productivity savings during the year.

Continued productivity improvements were delivered as part of the company's ongoing Comprehensive Continuous Improvement programme which helped mitigate the impact of commodity cost increases and increased operational costs.

The 2020 operating profit includes £157,000 of pension expenses (2019 £608,000).

The 2020 profit after tax also includes a receipt of dividend from subsidiary companies of £nil (2019 £4,808,000).

During 2020 the company disposed of its intangible and net assets in its Swiss Branch for a net gain of £38,926,000.

### 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.

#### Commodity risks

Purchases of commodities are subject to fluctuation in market price and availability caused by weather, growing, harvesting, governmental actions and other factors beyond the company's control. While future price movements are uncertain the company seeks to mitigate the market price risk in a number of ways, including the use of strategic purchases, customer price adjustments and cost savings from our Comprehensive Continuous Improvement (CCI) program.

## Strategic report (continued)

### Principal risks and uncertainties (continued)

#### 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. The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

#### UK membership of the European Union

The Transition Period governing the UK's relationship with EU ended on 31 December 2020. The EU-UK Trade and Cooperation Agreement was signed on 24 December 2020 and came into operation on 01 January 2021. The Agreement has substantially reduced, but not fully eliminated import duties on all raw materials and finished goods purchased from suppliers located in the EU. The Agreement has also significantly increased the number of non-fiscal regulations and administration procedures required to successfully move goods between the UK and the EU. The complexities associated with additional EU paperwork requirements, together with extended delays at EU ports whilst goods await customs clearance, has made some delivery times less predictable and reduced the number of hauliers prepared to transport goods from the UK into the EU. The company continues to work with our logistics partners, suppliers and customers to adapt to these new requirements and mitigate the ongoing impacts. Finally, the rights of EU and UK nationals to move freely across borders have been significantly altered, meaning that the available pool of talent from which the UK business is able to recruit new talent into the company is more restricted. Existing UK employees' ability to live and work in the EU are now also subject to increased restrictions. The company continues to work to mitigate all of the above risks insofar as it is able to do so.

### Section 172 (1) statement

A director of a company must act in a way they consider, in good faith, would most likely promote the success of the company for the benefits of its members as a whole, taking into account the factors as listed in section 172 of the Companies Act 2006.

Engagement with our stakeholders plays a vital role throughout the business. By understanding our stakeholders, we can factor into boardroom discussions the potential impact of our decisions on each stakeholder group and consider their needs and concerns.

The company desires to maintain a reputation for high standards of business conduct across its whole stakeholder population to ensure that the company enhances its reputation as an employer of choice and the premier UK supplier of herbs, spices and flavourings.

## Strategic report (continued)

### Section 172 (1) statement (continued)

#### Employees – our people

At McCormick UK, we believe in the Power of People and their ability to drive high performance business results. High performance starts with a fundamental belief that we should work together while leveraging our shared values, diversity, and proven work systems.

McCormick's High-Performance journey is ongoing and leverages our culture to create the company and human capacity required to execute and achieve our goals and desired outcomes. Built on our core belief in the Power of People and our Shared Values, our High-Performance Organisation Framework outlines the competencies, guiding principles and work systems needed to fully engage all People, to deliver consistent high Performance and personal and business Growth.

Our actions in the face of the pandemic crisis showcased our employees' dedication and creativity and the resiliency of our organization. We quickly adapted our ways of working, including a flawless migration of many employees to remote, virtual working environments and supply chain employees adapting to increased safety protocols to remain on-site and maintain product supply. The health and safety of our employees has remained a top priority as we launched new initiatives, including those to help maintain mental health during this uncertain period. We are inspired by the way our employees responded during this time.

We are constantly reviewing our pay and benefits to ensure our employees are appropriately rewarded for their performance. We engage with our workforce regularly including quarterly update on business performance and employee matters. The company is committed to providing all its employees with equal opportunities in a workplace free from discrimination.

#### Quality

In support of the Company vision and business strategies, Quality and Regulatory will ensure that our consumers receive high quality and safe McCormick products.

- Coordinate the development and execution of company-wide quality management, food safety, regulatory and environmental strategies.
- Lead in the application of science-based risk management in protecting the consumer and our brand quality and image.
- Provide strategic leadership to enhance the Company's ability to innovate in quality, regulatory, food safety and environmental matters.

#### Suppliers

As a leader in the manufacture, marketing, and distribution of spices, herbs, seasonings, specialty foods and flavours, our company is dedicated to providing the highest quality products.

Our success is based on a commitment to be the best and we are dedicated to including dynamic diverse suppliers in our supply chain. We recognize the essential value these suppliers bring to the communities we serve.

The mission of McCormick's Supplier Diversity Initiative is to develop relationships with diverse businesses capable of meeting our high-quality standards. Through this initiative, we continue to increase the number of diverse suppliers that provide McCormick with products and services.

As we maximize this strategy through expanded utilization of diverse suppliers, our efforts will continue to deliver increasing success for us and the suppliers with whom we do business.

#### Environmental

McCormick UK is committed to the continuous improvement of our environmental performance in our day to day business activity and to meet or exceed the requirements of all applicable environmental laws and regulations. Through management leadership and employee participation we are committed to reduce the environmental impact of our activities through pollution prevention; promote the sustainability of the natural resources upon which we depend, while providing quality products that meet the needs of our customers; comply with applicable environmental laws and regulations and contribute positively to the communities in which we operate. We expect all McCormick employees to carry out their job responsibilities in accordance with this policy and to report any environmental concerns they have to management.

## Strategic report (continued)

### Section 172 (1) statement (continued)

#### Community

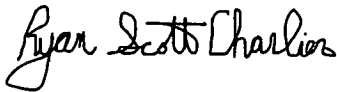
In 2019, we revamped our EMEA headquarters in the U.K., creating an updated, open space and technology enabled workplace. The new office environment provides additional opportunities for employees to contribute and collaborate more easily and will help us attract and retain talent.

The company supports local charitable initiatives through a Charity committee made up of staff members. Staff fundraising for chosen charities is through many activities and contributions are matched in part by the company.

#### Customers

Our products are sold directly to customers and wholesalers. In the consumer segment, products are then sold to consumers under a number of brands through a variety of retail channels. In the flavour solutions segment, products are used by food manufacturers as ingredients for their finished goods and by foodservice customers as ingredients for menu items all to enhance the flavour of their foods. We are also strengthening our connection with the consumer and driving growth through our best in class customer engagement. In Flavour Solutions, our broad technology platform, combined with our culinary foundation, enables us to create consumer preferred natural flavour solutions for our customers. We are committed to using natural ingredients, focusing on quality, and furthering our product transparency and sustainability efforts helping consumers achieve their health and wellness goals.

On behalf of the Board



R Charlier  
Director

Date: 19 August 2021

## Directors' report

The Directors present their report for the year ended 30 November 2020

### Directors of the company

The current directors are shown on page 1.

R. Charlier was appointed as a director on 31 October 2020.

L. Creighton was a director until 31 October 2020 when he resigned.

### Dividends

The directors do not recommend the payment of any dividend in the year (2019: £ 501,418,000).

The company did not receive any dividends from subsidiary companies in the year (2019 £4,808,000).

### 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.

### Post balance sheet events

In February 2021 the company repaid its existing loan of £14,200,000 to McCormick Switzerland GmbH and received a new loan of £40,000,000 from McCormick Luxembourg S.a R.L.

Subsequent to the year end the directors of company have become aware of the future planned liquidation of McCormick Kutas Food Service Limited, a 50% owned joint venture. The joint venture partners have approved a step plan to transfer their assets in McCormick Kutas Food Service Limited to a new Turkish joint venture which will be 50% owned by McCormick (UK) Limited. This is expected to occur over the coming year. There is not expected to be any impact on the value that the company has invested in Kutas operations.

### Financial instruments

The policy on financial instruments is provided in the strategic report on page 3

### 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 5.

The company is expected to generate positive operating 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. In reaching this conclusion the directors have considered the arrangements that have been put in place to maintain its liquidity position in response to Covid-19 and that the company will have continued access to the cash pooling arrangement within the group.

On this basis, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence until at least 30 November 2022. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

## 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.

### Streamlined energy and carbon reporting

Below details the mandatory reporting of greenhouse gas emissions from 1 December 2019 to 30 November 2020 and is pursuant to the Companies Act 2006 (Strategic Report and Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which came into force on 1 April 2019. Qualifying organisations are required to comply with Regulations for all financial periods that have a start date on or after 1 April 2019.

The table below shows total energy consumption and global greenhouse gas emissions from 1 December 2019 to 30 November 2020:

	2020
	'000
UK energy consumption (KWh)	26,402
Greenhouse gas emissions (tCO <sub>2</sub> e)	0
Intensity ratios:	
Annual KWh per £m turnover	96
Annual tCO <sub>2</sub> e per £m turnover	0

UK energy consumption is compiled from invoices received from the company's energy providers.

Since October 2019 all energy purchased has been from a renewable source which gives zero emissions.

The company is committed to operating in an environmentally sustainable manner. It has installed electric vehicle charging points in the UK at its EMEA headquarters in Haddenham and at its site in Littleborough. As a response to Covid restrictions the company has embraced the use of video conferencing which has reduced the demand for business travel.



## Directors' report (continued)

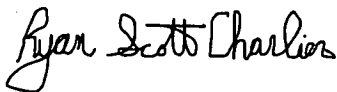
### Disclosure of information to the auditors

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 make 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



R Charlier  
Director

Date: 19 August 2021

## 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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that 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**

We have audited the financial statements of McCormick (UK) Limited for the year ended 30 November 2020 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of comprehensive income, the Statement of changes in equity and the related notes 1 to 25, 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" (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 2020 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.

## **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.

# Independent auditor's report (continued)

to the members of McCormick (UK) Limited

## 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*

.....  
Carl Stone (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Reading

Date 20 August 2021

## Profit and loss account

for the year ended 30 November 2020

	Note	2020 £'000	2019 £'000
<b>Turnover</b>	2	274,901	284,553
Cost of sales		(200,426)	(210,354)
<b>Gross profit</b>		<u>74,475</u>	<u>74,199</u>
Selling and distribution expenses		(40,133)	(38,386)
Administrative expenses		(31,714)	(31,851)
Research and development expenditure	3	(4,664)	(4,768)
Management fee income		4,555	6,870
Share incentive scheme charges	18	(1,858)	(1,574)
		<u>(73,814)</u>	<u>(69,709)</u>
<b>Operating profit</b>	3	661	4,490
Profit on sale of Camp Coffee business		-	1,980
Profit on sale of the Swiss branch of McCormick (UK) Limited		38,296	-
		<u>38,957</u>	<u>6,470</u>
Profit on ordinary activities before investment income, interest and taxation		38,957	6,470
Income from investments		-	4,808
Interest receivable		529	16,378
Interest payable	6	(3,624)	(3,700)
Other finance income	7	173	608
Foreign exchange expense arising from intercompany loans		-	(9,824)
		<u>(2,922)</u>	<u>8,270</u>
<b>Profit on ordinary activities before taxation</b>		36,035	14,740
Taxation	8	(1,397)	(4,930)
<b>Profit on ordinary activities after taxation and profit retained for the year</b>		<u><u>34,638</u></u>	<u><u>9,810</u></u>

Turnover for the year was generated from continuing activities.

## Statement of comprehensive income

for the year ended 30 November 2020

		2020 £'000	2019 £'000
Profit for the year		34,638	9,810
Remeasurement gain / (loss) recognised on defined pension scheme	20	2,385	(11,079)
Deferred tax (expense) / income related to pension scheme liability	8	(453)	1,883
<b>Total other comprehensive income / (loss)</b>		<u>1,932</u>	<u>(9,196)</u>
<b>Total comprehensive income for the year</b>		<u><u>36,570</u></u>	<u><u>614</u></u>

## Statement of changes in equity

for the year ended 30 November 2020

	<i>Called-up share capital £'000</i>	<i>Share premium £'000</i>	<i>Distributable reserves £'000</i>	<i>Retained earnings £'000</i>	<i>Total Equity £'000</i>
Balance at 1 December 2018	105,093	503,294	50,000	(7,053)	651,334
Profit for the year	-	-	-	9,810	9,810
Other comprehensive loss for the year	-	-	-	(9,196)	(9,196)
Transfer of share premium to distributable reserves	-	(503,294)	503,294	-	-
Equity dividends paid	-	-	(501,418)	-	(501,418)
Share based payments	-	-	-	1,574	1,574
Transfer of distributable reserves to retained earnings	-	-	(51,876)	51,876	-
<b>Balance at 30 November 2019</b>	<b>105,093</b>	<b>-</b>	<b>-</b>	<b>47,011</b>	<b>152,104</b>
Profit for the year	-	-	-	34,638	34,638
Other comprehensive profit for the year	-	-	-	1,932	1,932
Share based payments	-	-	-	1,858	1,858
<b>Balance at 30 November 2020</b>	<b>105,093</b>	<b>-</b>	<b>-</b>	<b>85,439</b>	<b>190,532</b>

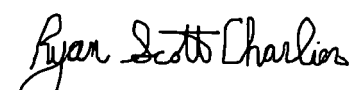


# Statement of financial position

At 30 November 2020

		2020	2019
	Note	£'000	£'000
<b>Fixed assets</b>			
Intangible assets	9	6,702	15,172
Tangible assets	10	85,012	54,509
Investments	11	55,357	88,170
		<u>147,071</u>	<u>157,851</u>
<b>Current assets</b>			
Stocks	12	46,915	35,158
Debtors			
Amounts falling due within one year	13	49,913	78,970
Amounts falling due in more than one year	13	7,025	4,769
		<u>56,938</u>	<u>83,739</u>
Cash at bank and in hand		67,302	2,174
		<u>171,155</u>	<u>121,071</u>
<b>Total current assets</b>			
		171,155	121,071
<b>Creditors: amounts falling due within one year</b>	14	(86,883)	(83,779)
		<u>84,272</u>	<u>37,292</u>
<b>Net current assets</b>			
		84,272	37,292
<b>Total assets less current liabilities</b>			
		231,343	195,143
<b>Creditors: amounts falling due after more than one year</b>	15/16	(51,700)	(51,700)
		<u>179,643</u>	<u>143,443</u>
<b>Net assets excluding pension</b>			
		179,643	143,443
Defined benefit pension asset	20	10,889	8,661
		<u>190,532</u>	<u>152,104</u>
<b>Net assets</b>			
		190,532	152,104
<b>Capital and Reserves</b>			
Called up share capital	17	105,093	105,093
Share premium		-	-
Distributable reserve		-	-
Profit and loss account		85,439	47,011
		<u>190,532</u>	<u>152,104</u>
<b>Total equity shareholders' funds</b>			
		190,532	152,104

Approved by the Board:



R Charlier  
Director

Date: 19 August 2021

# Notes to the financial statements

at 30 November 2020

## 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*

The financial statements of McCormick (UK) Limited were authorised for issue by the Board of Directors on 19 August 2021.

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 publicly 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 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.

### *Going concern*

The company is expected to generate positive operating 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. In reaching this conclusion the directors have considered the arrangements that have been put in place to maintain its liquidity position in response to Covid-19 and that the company will have continued access to the cash pooling arrangement within the group.

On this basis, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence until at least 30 November 2022. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

## Notes to the financial statements (continued)

at 30 November 2020

### 1. Accounting policies (continued)

#### *Judgements and key sources of estimation uncertainty (continued)*

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

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

#### *Pension benefits*

The cost of the defined benefit pension plan is determined using an actuarial valuation. 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 and its parent establish provisions based on reasonable estimates, for the possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

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 and other intangibles*

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. Other intangibles held by the company have been fully amortised.

#### *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.

## Notes to the financial statements (continued)

at 30 November 2020

### 1. Accounting policies (continued)

#### *Significant accounting policies (continued)*

##### *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.

##### *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	3 - 5 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 2020

### 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*

Income 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. During 2018 a cost of £2,537,000 was recognised in the profit and loss account relating to an estimation of costs associated with the equalisation of the Guaranteed Minimum Pension benefit. In November 2020 the High Court made a judgement relating to GMP equalisation and an additional cost of £330,000 was recognised in the 2020 profit and loss account. 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 2020

### 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 share options. The share-based payment awards are granted by the ultimate parent company to employees of group members.

##### *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.

The company has recognised the expense of share-based payments over the vesting period of each grant.

##### *Current and deferred taxation*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income when it is recognised in the statement of comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

## Notes to the financial statements (continued)

at 30 November 2020

### 1. Accounting policies (continued)

#### *Significant accounting policies (continued)*

##### *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.

### 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 Flavour Solutions (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:

	2020 £'000	2019 £'000
	Total	Total
Geographical area by destination:		
United Kingdom	184,315	179,464
Other European countries	73,555	90,182
Rest of world	17,031	14,907
	<u>274,901</u>	<u>284,553</u>
Geographical area by origin:		
United Kingdom	274,901	272,342
Rest of world	-	12,211
	<u>274,901</u>	<u>284,553</u>

## Notes to the financial statements (continued)

at 30 November 2020

### 3. Operating profit

This is stated after charging / (crediting)

	2020 £'000	2019 £'000
Research and development expenditure	4,664	4,768
Depreciation of owned assets (see note 10)	6,142	5,680
Amortisation of goodwill (see note 9)	1,005	3,991
Total depreciation and amortisation charge	<u>7,147</u>	<u>9,671</u>
Auditor's remuneration		
- audit of financial statements	273	179
- audit of subsidiaries and associates	65	65
- total audit	<u>338</u>	<u>244</u>
- other non-audit services	-	5
- total non-audit services	<u>-</u>	<u>5</u>
- total auditor's remuneration	<u>338</u>	<u>249</u>
Operating lease rentals		
- land and buildings	1,044	1,014
- plant and machinery	1,250	1,076
Foreign exchange differences	<u>(110)</u>	<u>(1,501)</u>

Auditor's remuneration of £65,000 (2019: £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

	2020 £'000	2019 £'000
Aggregate remuneration in respect of qualifying services	<u>1,489</u>	<u>1,172</u>
Company contributions payable to defined benefit schemes	<u>-</u>	<u>-</u>
	2020 No.	2019 No.
Members of defined benefit scheme	<u>-</u>	<u>-</u>
Members of money purchase pension scheme	<u>1</u>	<u>1</u>



## Notes to the financial statements (continued)

at 30 November 2020

### 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.

	2020 No.	2019 No.
Number of directors who received shares in respect of qualifying services	2	2
Number of directors who exercised options	2	2

The emoluments of one director was paid and accounted for by another McCormick group company McCormick & Company, Incorporated.

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

	2020 £'000	2019 £'000
Aggregate remuneration	943	665
Company contributions payable to defined benefit schemes	-	-
Amount of accrued pension at the year end under defined benefit pension schemes	-	-

During the year the highest paid director received shares under the group's long term incentive scheme.

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 2020 and 30 November 2019.

### 5. Staff costs

	2020 £'000	2019 £'000
Wages and salaries	52,206	51,769
Social security costs	5,551	6,284
Share incentive scheme charges (see note 18)	1,858	1,574
Defined benefit service cost (see note 20)	-	-
Contribution to defined contribution scheme	2,380	2,161
	61,995	61,788

## Notes to the financial statements (continued)

at 30 November 2020

### 5. Staff costs (continued)

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

	2020 No.	2019 No.
Manufacturing	484	466
Selling and marketing	87	80
Administration	252	269
	<u>823</u>	<u>815</u>

### 6. Interest payable

	2019 £'000	2019 £'000
Interest on bank overdrafts	5	81
Interest on loan from group undertaking	3,619	3,619
	<u>3,624</u>	<u>3,700</u>

### 7. Other finance income / (expense)

	2020 £'000	2019 £'000
Interest income on pension scheme assets	3,124	4,519
Interest on defined benefit obligation	(2,951)	(3,911)
	<u>173</u>	<u>608</u>

### 8. Tax on profit on ordinary activities

(a) *Tax on profits on ordinary activities*

The tax charge is made up as follows:

	2020 £'000	2019 £'000
<i>Current tax:</i>		
UK corporation tax at 19% (2019: 19%)	142	139
Group relief payable	-	7,863
Foreign taxation	-	294
Tax under / (over) provided in previous years	571	(360)
	<u>713</u>	<u>7,936</u>
Double tax relief	-	(54)
	<u>713</u>	<u>7,882</u>
<i>Deferred tax:</i>		
Decrease / (increase) in origination and reversal of timing differences	2,122	(2,878)
Effect of decreased tax rate on opening position	(1,166)	347
Tax (over) provided in previous years	(272)	(421)
	<u>684</u>	<u>(2,952)</u>
Decrease / (increase) in total deferred tax		
	<u>1,397</u>	<u>4,930</u>

## Notes to the financial statements (continued)

at 30 November 2020

### 8. Tax on profit on ordinary activities (continued)

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

	2020 £'000	2019 £'000
Current Tax	713	7,882
Deferred tax	684	(2,952)
Tax on profit on ordinary activities	1,397	4,930

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

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

	2020 £'000	2019 £'000
<i>Deferred tax:</i>		
Actuarial (gain) / loss on pension scheme	(2,385)	11,079
Decrease / (increase) in deferred tax related to defined benefit pension liability at year end deferred tax rate	453	(1,883)
Decrease / (increase) in tax relating to other comprehensive income	453	(1,883)

#### (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% (2019 – 19%), The differences are reconciled below:

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

	2020 £'000	2019 £'000
Profit on ordinary activities before tax	36,035	14,740
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	6,846	2,801
Fixed asset differences	51	114
Expenses not deductible for tax purposes (including goodwill amortisation)	245	1,298
Non taxable income	-	(1,336)
Deferred tax not recognised	(50)	-
Share scheme adjustments	(811)	(1,411)
R & D expenditure credits	141	-
Chargeable losses	(4,159)	(2,789)
Foreign tax charge	-	240
Group relief claimed	-	6,392
Change in tax laws and rates	(1,166)	357
Other	-	45
Adjustment to tax charge in respect of previous periods	300	(781)
Total tax expenses	1,397	4,930

## Notes to the financial statements (continued)

at 30 November 2020

### 8. Tax on profit on ordinary activities (continued)

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

Reductions 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. Following the year end, the corporate tax rate reduction to 17% was cancelled, with the tax rate remaining at 19%. This was substantively enacted on 17 March 2020.

In the March 2021 budget, it was announced that the corporation tax rate would increase from 19% to 25% in April 2023.

*(e) Deferred Tax:*

The deferred tax included in the balance sheet is as follows:

	2020 £'000	2019 £'000
Included in debtors (note 13)	8,503	9,640
	<u>8,503</u>	<u>9,640</u>
Accelerated capital allowances	9,519	7,319
Share-based payments	560	686
Tax losses carried forward	129	-
Capital loss	-	2,789
Short term timing differences	364	318
Pension costs	(2,069)	(1,472)
	<u>8,503</u>	<u>9,640</u>
Provision for deferred tax asset		
At 1 December 2019		9,640
Deferred tax credit in profit and loss account		(684)
Amount debited to other comprehensive income		(453)
		<u>8,503</u>
At 30 November 2020		<u>8,503</u>

The company expects the deferred tax assets to reverse over the next 10 years. The company has losses related to loan relationships totalling £688,000 (2019 £nil), capital losses totalling £3,757,000 (2019 £3,757,000) and losses relating to the trade of GG (Europe) Limited of £2,732,000 (2019 £2,997,000) which are not recognised for deferred tax purposes. The deferred tax asset has only been recognised in respect of the non-trading loan relationship deficit as the company expects to utilise these losses in the near future. The deferred tax rate used reflects the rates at which the temporary differences are expected to unwind.

## Notes to the financial statements (continued)

at 30 November 2020

### 9. Intangible fixed assets

	<i>Trademark</i> £'000	<i>Goodwill</i> £'000	<i>Total</i> £'000
<i>Cost:</i>			
At 1 December 2019	830	47,857	48,687
Disposals during the year	-	(25,593)	(25,593)
At 30 November 2020	830	22,264	23,094
<i>Amortisation:</i>			
At 1 December 2019	830	32,685	33,515
Provided during the year	-	1,005	1,005
Disposals during the year	-	(18,128)	(18,128)
At 30 November 2020	830	15,562	16,392
<i>Net book value:</i>			
At 30 November 2020	-	6,702	6,702
At 1 December 2019	-	15,172	15,172

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.

On the 2 December 2019 the company disposed of its goodwill in the Swiss Branch.

## Notes to the financial statements (continued)

at 30 November 2020

### 10. Tangible fixed assets

	<i>Freehold land</i>	<i>Freehold buildings</i>	<i>Leasehold property</i>	<i>Plant, machinery, vehicles and equipment</i>	<i>Assets in the course of construction</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Cost:</i>						
At 1 December 2019	4,156	24,370	1,968	69,930	9,025	109,449
Disposals	-	-	-	(334)	-	(334)
Additions	13,560	140	31	1,756	21,470	36,957
Transfers	100	-	-	4,485	(4,585)	-
At 30 November 2020	17,816	24,510	1,999	75,837	25,910	146,072
<i>Depreciation:</i>						
At 1 December 2019	-	10,904	1,808	42,228	-	54,940
Disposals	-	-	-	(22)	-	(22)
Provided during the year	-	969	135	5,038	-	6,142
At 30 November 2020	-	11,873	1,943	47,244	-	61,060
<i>Net book value:</i>						
At 30 November 2020	17,816	12,637	56	28,593	25,910	85,012
At 30 November 2019	4,156	13,466	160	27,702	9,025	54,509

### 11. Investments

	<i>Subsidiaries £'000</i>	<i>Joint venture £'000</i>	<i>Total £'000</i>
At 1 December 2019	87,940	230	88,170
Disposal	(32,813)	-	(32,813)
Impairment	-	-	-
30 November 2020	55,127	230	55,357

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

During 2020 the company disposed of its investments in McCormick Switzerland SA for a consideration of £32,813,000. It also disposed of its investment in GG (Europe) Limited and R.T. French's Food Company Limited for a £nil consideration, both investments had previously been fully impaired.

## Notes to the financial statements (continued)

at 30 November 2020

### 11. Investments (continued)

The following companies are directly owned by the company:

<i>Name of company</i>	<i>Holding</i>	<i>Proportion held</i>	<i>Nature of business</i>	<i>Incorporated in</i>	<i>A/C's Date</i>
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
McCormick Merchandising Services Limited	Ordinary	100%	Provision of merchandising services	UK	30-11
McCormick Italy Holdings S.r.l	Ordinary	59%	Holding company	Italy	30-11
McCormick Shared Services – EMEA LLC	Ordinary	100%	Business services	Poland	30-11

#### *Joint ventures*

McCormick Kutas Food Service Limited	Ordinary	50%	Holding company	UK	30-11
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The following companies are owned through subsidiary undertakings:

<i>Name of company</i>	<i>Holding</i>	<i>Proportion held</i>	<i>Nature of business</i>	<i>Incorporated in</i>	<i>A/C's Date</i>
McCormick Condiments South Africa (Pty) Limited	Ordinary	100%	Non-trading	South Africa	30-11
Drogheria e Alimentari S.p.A	Ordinary	59%	Manufacturing, packaging and selling of food products	Italy	30-11
Drogheria e Alimentari Deutschland GmbH	Ordinary	59%	Manufacturing, packaging and selling of food products	Germany	30-11
Enrico Giotti S.p.A	Ordinary	59%	Manufacturing and selling of food products	Italy	30-11

#### *Joint venture*

McCormick Kütas Gıda Sanayi Dış Ticaret Anonim Şirket	Ordinary	50%	Manufacturing, packaging and selling of food products	Turkey	30-11
McCormick Kutas Switzerland GmbH	Ordinary	50%	Holding company	Switzerland	30-11
McCormick Kutas 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 2020

### 12. Stocks

	2020 £'000	2019 £'000
Raw materials	19,549	14,443
Work in progress	1,120	1,096
Finished goods	26,246	19,619
	<u>46,915</u>	<u>35,158</u>

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 2020 were £194,181,000 (2019 £196,180,000).

The stock impairment provisions included in cost of sales for the year ended 30 November 2020 were £4,264,000 (2019 £2,608,000).

### 13. Debtors

	2020 £'000	2019 £'000
<i>Amounts falling due within one year</i>		
Trade debtors	36,098	39,101
Amounts owed by group undertakings	1,048	31,788
Derivative financial instruments	14	63
Other debtors	10,526	2,336
Corporation tax	90	-
Prepayments and accrued income	659	811
Current deferred tax	1,478	4,871
	<u>49,913</u>	<u>78,970</u>
<i>Amounts falling due in more than one year</i>		
Non-current deferred tax	7,025	4,769
Loans to group undertakings	-	-
	<u>56,938</u>	<u>83,739</u>

The trade debtors provision included in administrative costs for the year ended 30 November 2020 was an increase of £4,000 (2019 was an increase in provision of £182,000).



## Notes to the financial statements (continued)

at 30 November 2020

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

	2020 £'000	2019 £'000
Bank overdraft	7	11,787
Trade creditors	53,915	34,931
Derivative financial instruments	416	648
Amounts owed to group undertakings	5,329	11,262
Other taxes and social security	1,351	1,478
Corporation tax	-	9
Accruals and deferred income	25,865	23,664
	<u>86,883</u>	<u>83,779</u>

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

	2020 £'000	2019 £'000
Loans from group undertakings (see note 16)	<u>51,700</u>	<u>51,700</u>

### 16. Loans

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

	2020 £'000	2019 £'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
	<u>51,700</u>	<u>51,700</u>

### 17. Share capital

	2020 No.(000)	2019 No.(000)	2020 £'000	2019 £'000
<i>Allotted, called up and fully paid:</i>				
Ordinary shares of 1p each	10,509,377	10,509,377	105,093	105,093

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

## Notes to the financial statements (continued)

at 30 November 2020

### 18. Share based payment plans

The company has two types of share-based compensation awards: restricted stock units (RSUs) and share options. All awards relate to the 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.

On 30 November 2020 McCormick & Company Incorporated effected a two-for-one stock split on all shares. One like share was issued for each issued share.

#### RSUs

The following table summarises the number and weighted average price of the movements in RSUs during the periods ended 30 November 2020 and 30 November 2019.

	2020 No. '000	2020 Weighted average price £	2019 No. '000	2019 Weighted average price £
Outstanding as at 1 December	34	76.27	42	57.59
Granted during the year	11	104.28	12	112.22
Forfeited during the year	(2)	94.48	-	-
Exercised during the year	(20)	62.38	(20)	55.92
Two for one share split	23	49.04	-	-
Outstanding at 30 November	46	49.04	34	76.27

#### Stock Options

The following table summarises the number and weighted average price of the movements in stock options during the periods ended 30 November 2020 and 30 November 2019.

	2020 No. '000	2020 Weighted average price £	2019 No. '000	2019 Weighted average price £
Outstanding as at 1 December	240	13.30	290	11.44
Granted during the year	25	20.66	31	21.59
Forfeited during the year	(7)	18.53	-	-
Exercised during the year	(55)	9.06	(81)	9.22
Two for one share split	202	7.35	-	-
Outstanding at 30 November	405	7.35	240	13.30

As a member of a group whose employees are granted a share-based payment award by the ultimate parent company, the group has recognised the expense of the share-based payment over the vesting period of each grant. The expense recognised for share based payments in respect of employee services received during the period ended 30 November 2020 is £1,858,000 (2019 £1,574,000).

## Notes to the financial statements (continued)

at 30 November 2020

### 19. Obligations under lease contracts

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

	2020		2019	
	<i>Land and buildings</i>	<i>Plant and machinery</i>	<i>Land and buildings</i>	<i>Plant and machinery</i>
	£'000	£'000	£'000	£'000
Operating leases which expire				
Not later than one year	905	1,106	976	1,065
Later than one year and not later than five years	1,479	897	2,384	1,262
	<u>2,384</u>	<u>2,003</u>	<u>3,360</u>	<u>2,327</u>

### 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 2020 allowing for benefits paid and actual increases to members' benefits over this period. The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method.

## Notes to the financial statements (continued)

at 30 November 2020

### 20. Pensions (continued)

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

Main financial assumptions	2020 % p.a.	2019 % p.a.
Discount rate – expected return on assets	1.60	2.00
RPI inflation	2.90	2.80
CPI inflation	2.10	1.80
Deferred revaluation rate – CPI subject to a maximum of 5.00% p.a.	2.10	1.80
Pension increases:		
-Pre April 1997	0.00	0.00
-April 1997 – April 2006	2.90	2.70
-Post April 2006	2.00	2.00
Expected rate of return on Scheme assets*	1.60	2.00
GMP equalisation as a percentage of DBO	1.90	1.90

*\*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 21 years if they are male and for a further 24 years if they are female.

For a member who retires in 2040 at age 65, the assumptions are that they will live on average for a further 22 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 in DBO (£'000)
Discount Rate (+ / - 0.1%)	- - / + 3,600
Inflation (+ / - 0.1%)	- + / - 1,900
Mortality (+ / - 1 year)	- + / - 6,400

## Notes to the financial statements (continued)

at 30 November 2020

### 20. Pensions (continued)

#### *Fair value of assets by class*

	Value at 30 November 2020	Value at 30 November 2019
	£'000	£'000
Equities	85,177	80,594
Bonds	82,324	75,494
Cash	2,318	1,956
	<u>169,819</u>	<u>158,044</u>
Total	<u>169,819</u>	<u>158,044</u>

#### *Reconciliation of funded status to balance sheet*

	Value at 30 November 2020	Value at 30 November 2019
	£'000	£'000
Fair value of scheme assets	169,819	158,044
Present value of funded scheme liabilities	(158,930)	(149,383)
	<u>10,889</u>	<u>8,661</u>
Gross pension asset	<u>10,889</u>	<u>8,661</u>

#### *Changes to the present value of the defined benefit obligation*

Year ending	30 November 2020	30 November 2019
	£'000	£'000
Opening defined benefit obligation	149,383	125,190
Past service cost	330	-
Administration expenses	-	-
Interest costs	2,951	3,911
Contributions by participants	-	-
Remeasurement (gains) / losses		
Actuarial losses on Scheme liabilities in respect of assumptions	9,680	26,317
Actuarial losses / (gains) on Scheme liabilities in respect of experience	248	(395)
Net benefits paid out	(3,662)	(5,640)
Past service cost	-	-
Curtailments	-	-
	<u>158,930</u>	<u>149,383</u>
Closing defined benefit obligation	<u>158,930</u>	<u>149,383</u>

## Notes to the financial statements (continued)

at 30 November 2020

### 20. Pensions (continued)

Year ending	30 November 2020	30 November 2019
	£'000	£'000
Opening fair value of Scheme assets	158,044	144,322
Interest income on scheme assets	3,124	4,519
Remeasurement gains		
Return on scheme assets less interest income	12,313	14,843
Contributions by the Company	-	-
Contributions by participants	-	-
Net benefits paid out	(3,662)	(5,640)
Settlements	-	-
	<u>169,819</u>	<u>158,044</u>

#### *Actual return on scheme assets*

Year ending	30 November 2020	30 November 2019
	£'000	£'000
Interest income on scheme assets	3,124	4,519
Return on scheme assets less interest income	12,313	14,843
	<u>15,437</u>	<u>19,362</u>

#### *Analysis of profit and loss charge*

Year ending	30 November 2020	30 November 2019
	£'000	£'000
Past service cost	330	-
Administration expenses	-	-
Net interest income	(173)	(608)
Past service	-	-
Curtailment cost	-	-
Settlement cost	-	-
	<u>157</u>	<u>(608)</u>

#### *Analysis of amounts recognised in other comprehensive income*

Year ending	30 November 2020	30 November 2019
	£'000	£'000
Return on scheme assets less interest income	12,313	14,843
Gains / (losses) on assumptions	(9,680)	(26,317)
Experience gains / (losses) on scheme liabilities	(248)	395
	<u>2,385</u>	<u>(11,079)</u>

## Notes to the financial statements (continued)

at 30 November 2020

### 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.

### 22. Financial Instruments

	2020 £'000	2019 £'000
<i>Financial assets at fair value through profit or loss</i>		
Derivative financial instruments	14	63
<i>Financial liabilities at fair value through profit or loss</i>		
Derivative financial instruments	(416)	(648)
<i>Financial assets measured at amortised cost</i>		
Trade debtors	36,098	39,101
Amounts owed by group undertakings	1,048	32,245
Other debtors	10,526	2,278
Loans	-	-
<i>Financial liabilities measured at amortised cost</i>		
Trade creditors	(53,915)	(34,931)
Amounts owed to group undertakings	(5,329)	(11,262)
Loans owed to group undertakings	(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 Gıda Sanayi Dış Ticaret Anonim Şirket				
2020	4,522	2,039	276	333
2019	2,208	1,512	373	309
McCormick Kütaş Switzerland GmbH				
2020	-	-	-	-
2019	-	-	-	-
McCormick Middle East FZE				
2020	2,419	-	203	18
2019	2,350	18	271	18

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.

## Notes to the financial statements (continued)

at 30 November 2020

### 23. Related party transactions (continued)

During the year ended 30 November 2020 the company has not made any provision for doubtful debts (2019 £nil) and no amounts have been written off (2019 £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.

### 24. Post balance sheet events

In February 2021 the company repaid its existing loan of £14,200,000 to McCormick Switzerland GmbH and received a new loan of £40,000,000 from McCormick Luxembourg S.a R.L.

Subsequent to the year end the directors of company have become aware of the future planned liquidation of McCormick Kutas Food Service Limited, a 50% owned joint venture. The joint venture partners have approved a step plan to transfer their assets in McCormick Kutas Food Service Limited to a new Turkish joint venture which will be 50% owned by McCormick (UK) Limited. This is expected to occur over the coming year. There is not expected to be any impact on the value that the company has invested in Kutas operations.

### 25. 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 24 Schilling Road, Suite 1, Hunt Valley, Maryland, MD 21031, USA.