Premier Foods Plc

Tax Strategy – March 2018

1. BACKGROUND

Premier Foods has established a tax strategy approved by the Board to formally record the Group's approach to compliance, governance and the objectives of the tax function.

The Group is predominantly UK based and consequently its tax profile is straightforward. The Group has recorded tax losses for several years. In addition historic transactions have given rise to large capital losses.

Most of the Group's supplies are currently VAT zero-rated resulting in significant monthly VAT repayments.

The structure of significant one-off transactions is considered to ensure tax risks are mitigated. Where possible existing tax assets are utilised to cover liabilities arising and the most beneficial structure is used.

2. OBJECTIVES

The strategic tax objectives are:

- Complying with applicable tax laws, rules, regulations and disclosure requirements for each relevant jurisdiction
- Ensuring tax compliance and reporting processes are as efficient as is practical
- Adding value by providing commercial and proactive tax advice
- Managing tax risks to an acceptable level
- Managing and minimising cash taxes payable to the extent permitted by law and subject to Governance principles, particularly with reference to utilisation of our previously recorded tax losses
- Managing existing tax assets to ensure they can be utilised in the future
- Ensuring adequate controls are in place to enable Senior Accounting Officer certification that appropriate tax accounting arrangements are in place
- Maintaining the existing good relationships with HMRC and minimising the Group's risk assessment

3. DELIVERY OF OBJECTIVES

The delivery of the strategic objectives will be achieved through:

Working together: Group Tax will continue be an integral part of finance and the wider business providing a consistent approach to tax matters.

Adding value: Providing timely tax advice and planning in respect of operations and transactions which seeks to mitigate tax risks and maximise any opportunities subject to Governance principles.

Management of tax risks: Develop a risk framework to identify and track risks in order to reduce the impact of any unexpected tax issues that may arise.

Working with tax authorities: Develop and maintain good working relationships with tax authorities by fulfilling compliance requirements, dealing with enquiries in a complete and transparent manner and raising matters that arise in real time.

Delivery of tax compliance and reporting: Maintain and improve efficient processes to enable accurate compliance and reporting.

Developing people: Maintain a tax department staffed by people with sufficient experience to deliver the tax strategy.

Using advisers: Maintain relationships with a series of reputable advisers who are able to provide specialist advice and expertise as and when needed.

4. GOVERNANCE

Tax falls within the overall governance framework established by the board of directors to control the operations of the Group. In addition HMRC requires that the Senior Accounting Officer, the Chief Financial Officer (CFO), maintains appropriate tax accounting measures and must certify annually that such arrangements are maintained.

Group Tax is in day-to-day contact with Group Finance and other operational finance functions. This allows for a free flow of information and ensures that Group Tax and the business work closely together.

There are regular meetings between the Head of Tax and the CFO and Group Finance. These enable Group Tax to provide an update of outstanding issues relating to past years, and discuss current and potential future developments. They also allow the Group Finance to advise of relevant developments in the business.

There are also reviews of latest forecast and budgets, and of any planning opportunities with an evaluation of risk and reward.

The aim of Group Tax will continue to be to minimise cash taxes. To the extent that losses that have not been recognised as deferred tax assets, whilst the Group uses those losses its accounting tax rate may be lower than the UK corporation tax rate.

Any significant planning opportunities and arrangements will be presented to the CFO for consideration and ultimately to the Board for approval.

In considering tax saving initiatives the overall approach of Group Tax will be cautious and will take into account the following considerations:

- Tax assets that are available within the business that could be utilised to mitigate any exposures
- The potential upside, likelihood of success and magnitude of downside risk
- The public perception towards tax avoidance
- Tax authorities' attitudes to tax planning and the effect on our relationships with them
- The approach will reflect the desire to avoid risks that would be considered negatively by shareholders or could adversely affect the risk assessment by HMRC.

However, initiatives will be brought to the attention of the CFO for consideration where have assessed them to be in line with our tax strategy and are commonly accepted.

Group Tax will undertake training to keep up to date on developments in the key tax areas of corporation tax, PAYE/NICs and VAT and will evaluate the effect of these developments on the business and advise the business on the implementation of necessary changes to ensure that it is well positioned to absorb those changes. Where issues are likely to have a major effect on the business, these will be raised as necessary.

Under current accounting rules there is little divergence between accounting and tax treatments resulting in a smoothing of tax rates in the accounts (although this may be distorted due to the impact of losses not recognised for deferred tax). However Group Tax will ensure that they consider and highlight items that may differ in treatment.

5. DEPARTMENT STRUCTURE

Group Tax comprises qualified staff with a high level of experience both in tax generally and of the group and its past and likely future development. The department liaises regularly with Group Finance, other Finance functions, Legal, HR and advisors to assess where there are potential risks or opportunities, and advises accordingly.

Group Tax is involved in the budgeting, forecasting and ongoing management accounting processes. This ensures that it is aware at an early stage of the corporate plans for the business and changes to these.

Tax forms a key part of any transaction team at an early stage so that proper evaluation can take place of the various methods by which affairs can be arranged so as to minimise taxation payable, whilst ensuring that errors are avoided.

Extensive contact with HR and Group Finance also enables the identification of risks or opportunities in the area of payroll taxes.

Using the above contacts the department promotes awareness of changes in tax legislation and practice and assesses the impact of such changes and whether these present any opportunities that should be pursued or risks that need to be avoided.

6. PREMIER FOODS OVERALL TAX CONTRIBUTION

Through job creation, Premier Foods contributes directly to the economy. Taxes are paid directly through employer's social security contributions and indirectly through the income taxes and social security contributions paid by employees which all together amount to approximately £40m each year. Additionally Premier Foods pays other taxes including import and export duties, environmental levies, business property rates and excise duties.