

COFCO Group

UK Tax Strategy

Scope

This strategy applies to COFCO International UK Ltd and its subsidiaries (“the UK Group”). A list of the entities to which it applies is set out below.

It is published in accordance with Schedule 19 of the Finance Act 2016 (“the Schedule”), as part of the duty imposed on COFCO International UK Ltd, as the head UK Company, to prepare and publish a UK Sub-Group Tax Strategy under paragraph 19(2) of the Schedule in the current financial year ending 31 December 2020 and has been made available to be freely accessed by the public online.

This content of this document is relevant as at the date of publication and will be updated when necessary.

References to ‘UK Taxation’ are to the taxes and duties set out in paragraph 15(1) of the Schedule which include Income Tax, Corporation Tax, PAYE, NIC, VAT, Insurance Premium Tax, and Stamp Duty Land Tax, Stamp Duty and Customs & Excise Duties. References to ‘tax’, ‘taxes’ or ‘taxation’ are to UK taxation and to all corresponding worldwide taxes and similar duties in respect of which the Group has legal responsibilities.

This strategy is aligned to the global tax strategy of COFCO International BV, the immediate parent of COFCO International UK Ltd.

Principles

The UK Group is committed to and guided by the principles of:

- Transparency in our approach to tax and our dealings with HM Revenue & Customs (“HMRC”)
- Timely and accurate filing of tax returns and other tax obligations
- Promptly paying our taxes in line with applicable laws and regulations
- Having responsibilities at the most appropriate level

The UK Finance Director, who acts as Senior Accounting Officer, owns and implements the UK tax strategy which is aligned with the Group strategy, although the Executive Board as a whole are accountable, as part of the general corporate governance process.

Day-to-day management of the UK Group’s tax affairs is the responsibility of the UK Finance Director who consults with the COFCO International BV Group Tax Department and external tax advisers.

Approach of the Group to risk management and governance arrangements in relation to UK taxation

The main tax risk is linked to profits or losses accounted for which is made complex due to the business's size in terms of recording substantial amounts of revenue and a high volume of transactions, in accordance with valid accounting policies acceptable to HMRC.

Given the nature of the Group's business, derivative financial instruments (open forward contracts) for future contracts are used to hedge its commercial risks associated with commodity price fluctuations. These instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at fair value at each year end. This presents further complexities in terms of validly accounting for profits or losses, for which the Corporation Tax assessment is based on.

This risk is managed by detailed assessments of financial results on a quarterly basis by the UK Finance Department, overseen by the UK Finance Director, which is then reported to the COFCO International BV Group Finance Department for further analysis, overseen by senior members of the immediate parent company.

The annual financial results are externally audited by an independent, reputable firm of auditors. The UK Group's tax affairs are also outsourced to this firm, who have the necessary experience and skills set to ensure our compliance obligations have been met and also any Corporation Tax assessments are accurate.

The UK Group's payroll and VAT compliance is administered internally by the UK Finance Department, overseen by the UK Finance Director. To reduce risk, full and regular reconciliations are carried out to ensure these processes are accurately executed and external advice is sought for any ad hoc issues.

The UK Group works closely with the local ports to ensure all customs and excise duties are duly paid. As payment of duties is required at ports of entry in order to release goods, this ensures any risks are minimised.

The UK Finance Director ensures the Board maintains a close involvement in overseeing the UK Group's tax affairs, to ensure these are conducted in accordance with the principles of internal governance.

Attitude towards tax planning and level of risk

The worldwide Group and the UK Group are prepared to only accept a low-risk approach to tax and do not engage in artificial tax arrangements. This is driven from internal governance.

Tax planning mainly comprises the most beneficial use of any Corporation Tax losses incurred, whether carried back to a previous period or relieved elsewhere within the UK Group, which represents legitimate planning in accordance with the intention of the relevant tax law.

The UK Group's tax obligations, and therefore our tax contribution, are aligned with the commercial and economic activity of our operations. Tax is considered in all significant business decisions but we do not undertake any transactions for the sole purpose of realising tax savings.

The UK Group focuses on delivering accurate tax returns and determining the correct tax treatment across all of our business transactions, to ensure we pay the right amount of tax at the right time.

External tax advice is sought solely to ensure the UK Group meets its tax obligations accurately and punctually.

Approach to dealings with HMRC

The UK Group maintains an open and transparent relationship with HMRC.

All dealings with the tax authorities and other relevant bodies are conducted in a collaborative and timely manner, as was demonstrated in recent routine VAT inspections carried out by HMRC.

The UK Group no longer has a Customer Relationship Manager (CRM), due to administrative changes on HMRC's part. The UK Group now works directly with HMRC's dedicated teams, via an outsourced tax adviser where relevant.

All tax returns and reports are filed with HMRC electronically.

The UK Group is committed to reducing tax risks (past, present and future) and regularly engages with an outsourced tax adviser to ensure any areas of contention are resolved and disclosed appropriately.

Under the UK's self-assessment regime, it is the UK Group's responsibility to ensure tax laws are interpreted as intended by Parliament. The UK Group's approach is to seek the advice of an outsourced tax adviser and obtain an opinion (informal or on a statutory basis) from or make appropriate disclosures to HMRC, if in any doubt.

List of entities covered by this Tax Strategy included in the UK Group

- COFCO International UK Ltd
- Grain Terminal (Ipswich) Ltd
- Barmby Moor (Holdings) Ltd
- Grainseed Ltd
- H&H (East Anglia) Ltd

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