

Day Lewis PLC

Group Tax Policy and Governance

Introduction:

This document, satisfies Schedule 19 of the UK Finance Act 2016 and is approved by the board of directors of Day Lewis PLC, sets out Day Lewis Group's policy and approach to tax risk and conducting its tax affairs for the year ended 30 November 2023 and applies to all subsequent years until superseded.

This document is periodically reviewed by the finance committee and any amendments are approved by the board of directors.

Group Tax Policy:

In support of our overall business strategy and objectives, Day Lewis PLC pursues a tax strategy that is principled, transparent and sustainable in the long term. The Group has established principles governing its tax strategy which have been reviewed and approved by the board of directors. These include the following key points:

- A tax strategy that is aligned with our business strategy and conforms with our core values on business conduct
- Commitment to ensure full compliance with all statutory obligations, applicable laws and regulations relating to its tax activities and full disclosure to tax authorities thereof
- Maintenance of documented policies and procedures in relation to tax risk management and completion of thorough risk assessments before entering into any tax planning strategy
- Maintaining an open and honest tax relationship with the authorities, based on collaboration and integrity, and actively considering the implications of tax planning for the Group's wider corporate reputation
- Management of tax affairs in a proactive manner that seeks to optimise shareholder value, while operating in accordance with the law
- Using incentives and reliefs to minimise the tax cost of the business, whilst ensuring that these reliefs are not used for purposes which are knowingly contradictory to the intent of the legislation

Approach towards HMRC:

Self assessment for most taxes means that the group calculates and pays all UK taxes itself based on its interpretation of UK legislation. As the group is a large business, HMRC appoints a CCM to coordinate HMRC's risk assessment and intervention activities.

The group is in regular contact with the CCM and the dedicated team that HMRC has appointed with specialists in corporate tax, employee taxes and VAT.

We update HMRC on a regular basis about our developments in our UK business and we aim to supply the information they may require on a full and timely basis.

Tax Risk Management:

Within this governance framework, the conduct of the Group's tax affairs and the management of tax risk are delegated to an internal finance team which includes qualified accountants, internal managers with day to day responsibility for standard operating procedures, and an external professional tax firm for submission of tax returns, and other professional tax advisors for advice on ad hoc issues.

Identified tax risks associated with specific areas of the business are considered with respect to the following: -

- The legal and fiduciary duties of directors and employees
- The requirements of any related internal policies and procedures
- The maintenance of the Group's corporate reputation and adherence to the Group's core values
- The tax benefits and impact on the Group's reported results when compared to the financial costs involved, including the risks of penalties and interest
- The wider consequences of disagreement with tax authorities and the impact of future relationships with them

Management will certify our adherence to these principles to the Day Lewis PLC board of directors on an annual basis. The suitability of the tax strategy and principles is kept under regular quarterly review.

UK Context and level of tax risk:

All companies except one entity in the Group are tax resident in the UK with the other based in the USA. The activities of these entities are fully disclosed to all relevant tax authorities.

In accordance with our tax strategy, all exchanges of goods, property and services between companies within the Group are conducted on an arm's length basis.

Where required the tax returns contain schedules that provide details of related party transactions, and we provide the tax authorities all necessary information to determine whether to make further enquiries on audit.

In accordance with the strategy approved by the Board of directors, the group takes a conservative approach to tax risk as it does to other risks in the business.

We recognise there is always some level of risk on taxation due to

- The complexities of taxes including frequent changes in laws
- The scope for disagreement over the interpretation of laws meaning that tax authorities may take a different view of the application of legislation and
- The variety and volume of different taxes that affect the group's activities

Transfer Pricing Policy:

There is minimal transfer pricing tax risk, because all transactions between Group and other related companies are based on fair market terms and on the commercial nature of the transactions, and almost all activities are based in the UK.

- Management Services which comprise accounting services; retail operations services; property management services; are provided by Day Lewis PLC to
 - all Group companies. These are re-charged at cost to large turnover entities, but not re-charged to small turnover entities
 - related companies. These are charged at an agreed annual fee, based on fair market terms and the commercial nature of the transaction. These were initially reviewed and approved by HMRC in 2012.

- Internal Sales of Goods are provided by Day Lewis Medical Limited to:
 - all group retail companies and Cradlecrest Limited. These are re-charged at a fair market price, similar to that available on the open market. These are reviewed monthly and annually
 - related companies. These are charged at negotiated prices and reviewed on a regular basis.

- Internal Sales of Goods are provided to Day Lewis Medical Limited by:
 - all group retail companies. These are re-charged at a fair market price, similar to that available on the open market. These are reviewed monthly.
 - related companies. These are charged at negotiated prices and reviewed on a regular basis.

- Internal Sales of Goods provided by Cradlecrest Limited:
 - to Cradlescrest USA inc recharged on at a fair market price, similar to that available on the open market. These are reviewed regularly monthly.

- Rent Charges:
 - Day Lewis Properties Limited charges group entities a market rent. These are reviewed in accordance with the lease terms.
 - Related companies charge Day Lewis group entities market rents. These are reviewed in accordance with the lease terms.
 - Related party individuals charge Day Lewis group entities market rents. These are reviewed in accordance with the lease terms.

- Interest on inter-company loans:
 - All inter-company loans and inter-company balances are repayable on demand.
 - No interest is charged in the accounts for these outstanding balances.
 - Notional interest is charged in the tax computations, where appropriate.