

Souter Investments

Tax Strategy

Overview

This tax strategy for Souter Investments¹ is published in accordance with schedule 19 Finance Act 2016. It sets out the strategy towards UK taxation adopted by Souter Investments for 2018 and 2019. References to tax include corporation tax, PAYE, NIC, stamp duty land tax, land and buildings transaction tax, stamp duty, stamp duty reserve tax, VAT and insurance premium tax.

Souter Investments is the collective name given to the suite of companies which form the investing vehicles for the Souter family. The portfolio has a private equity focus, investing particularly in unquoted businesses across a range of sectors. Souter Investments employs a high standard of professional diligence and rigor in selecting, executing and managing investments. This tax strategy forms part of that approach.

Souter Investments is an ethical investor and will not consider investments involving alcohol, tobacco, armaments, gambling or pay-day loan businesses.

A major beneficiary of the success of Souter Investments is the Souter Charitable Trust. The charity has the objective of assisting projects engaged in the relief of human suffering both in the UK and overseas. Donations to the Souter Charitable Trust have averaged £4.2m a year for the past 8 years.

How Souter Investments manages its tax risks

The Managing Director of Souter Investments has overall responsibility for tax matters. He is supported by the two Investment Directors and three investment executives. All of the Investment Directors and investment team are experienced and appropriately qualified.

The investment team is supported by a highly experienced finance team. Expert external legal, accounting and tax support is provided on a regular basis by appropriately qualified firms. A system of review is in place for Souter's statutory tax filings.

The Investment Directors are required to review tax risk in respect of each material new investment

The preparation of corporation tax returns is outsourced to appropriately qualified and regulated professional firms and reviewed by both the finance team at Souter Investments and, if appropriate, the responsible Investment Director, prior to submission.

The finance team and Souter Investments' advisers communicate with and advise the Directors on the tax affairs and risks on a regular basis.

Souter Investments owns transport companies in a number of overseas jurisdictions, particularly New Zealand and Poland. The local finance teams are responsible for ensuring compliance with all local tax laws. External advice is provided in each jurisdiction by appropriately qualified firms.

¹ This strategy applies to all companies controlled by the Souter family, including inter alia Souter FT Holdings Ltd, Souter FT Ltd, Souter SBS Holdings Ltd, Souter Kent Ltd, SI 2016 Ltd, Souter Capital LLP and Souter Investments Ltd and all of its subsidiaries including HGT Investments Ltd and its subsidiaries. The accounting periods of these entities vary; this policy applies to all year ends ending in 2018 and 2019.

The Boards of individual minority investments are responsible for the tax risks and strategy of their businesses.

Souter Investments' attitude to tax planning and tax risk

In line with its overall investment philosophy Souter Investments does not undertake any tax planning which is artificial or considered aggressive by either a Director or the advisers to Souter Investments. Furthermore, Souter Investments fully complies with the guidance issued by ICAS that ICAS members:

'must not create, encourage or promote tax planning arrangements or structures that (i) set out to achieve results that are contrary to the clear intention of Parliament in enacting relevant legislation, and/or (ii) are highly artificial or highly contrived and seek to exploit shortcomings within the relevant legislation'.

All transactions undertaken by Souter Investments have a commercial purpose and the level of tax risk considered acceptable on any transaction is low. The level of risk is considered via discussions with tax advisers.

All entities controlled by Souter Investments are based in the UK or alternatively the country where their commercial operations are based (for example, the New Zealand transport companies are based in New Zealand).

Souter Investments does not set targets around effective tax rate and remuneration policies are not linked to the after-tax results of the business.

Working with HMRC

Souter Investments is transparent and honest in its dealings with HMRC.

If there are any inadvertent errors, they will be reported promptly to HMRC with full disclosure.