

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 the financial years ending in the 12 months to 31 March 2021.

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 averaged £4.2m a year in the 8 year period ended 30 June 2019, and in October 2019 Sir Brian Souter donated shares in Souter Investments Limited to the Souter Charitable Trust valued at £109m.

How Souter Investments manages its tax risks

The Managing Director of Souter Investments has overall responsibility for tax matters. He is supported by two Investment Directors and a team of investment executives. The Investment Directors and the 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.

Both ongoing and potential tax risks are regularly considered, discussed and mitigated by this team of people. Also, as part of the investment procedures, the Investment Directors are required to review tax risks, in association with qualified advisors, in respect of each material new investment. Both the finance team and Souter Investments' advisers communicate with and advise the Directors on the tax affairs and risks on a regular basis.

A system of review, with distinct roles and responsibilities, is in place for Souter's statutory tax filings.

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.

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.

¹This 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 between 31 March 2020 and 31 March 2021

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.

The Group is committed to making appropriate disclosures for all relevant tax issues, whether that is through the submission of tax returns, responding to requests in a timely manner or, in the case of any inadvertent errors, reporting promptly to HMRC with full disclosure.