

## **Tax Strategy – Year ended 31 October 2016**

This document outlines the policy and approach taken by Newarthill and its group of companies (the “SRM Group”) in conducting its tax affairs and managing its tax risk. This document has been approved by the group’s Supervisory Board as being the group tax strategy for the year ended 31 October 2016. It will be reviewed periodically, with any amendments being approved by the Board.

### **Our business**

The SRM Group is a long established family-owned business that has operated in the construction sector for nearly 150 years. Over this time, the SRM Group has developed a reputation for the highest standards of quality and remains committed to fulfilling its responsibilities to the communities and environments in which it operates.

The ownership structure has provided a long period of corporate stability and has permitted the group to focus on generating profits through its core activities and responsible business practices, rather than a short-term view and single-minded focus on profit maximisation.

Teamwork, co-operation and mutual respect are at the heart of our business culture. The group has a pervasive sense of pride and a strong sense of being honourable and doing the right thing.

These factors have helped to shape the group’s approach to corporate governance and risk management, which are then ingrained in the group’s tax policy and approach to managing tax risk.

### **Group tax policy**

SRM Group principally undertakes its construction, property development and PPP activities within the UK. Wherever it operates, SRM Group undertakes to fully comply with all the relevant laws and regulations of the territory.

The group’s tax risk strategy is consistent with the group’s strategy towards corporate governance and risk management, and is focused around five key areas:

- Integrity in compliance and reporting
- Responsible business practices
- Investing in our people and developing capabilities
- Controlling and managing risks
- Maintaining our reputation.

Our approach to managing the affairs of the group is consistent with HMRC’s Framework of Co-operative Compliance and is in line with the OECD guidelines for multinational companies on Responsible Business Conduct Matters.

## UK Taxation

The SRM Group remains committed to conducting its tax affairs and managing its tax risk in a responsible manner, encapsulated by the following:

- Ensuring consistency with group strategy.
- Monitoring key risks through periodic tax compliance meetings attended by those responsible for the different tax areas.
- Timely and full compliance with all reporting requirements, including the filing of all tax returns by their statutory deadlines.
- Investing in our people and developing their capabilities by providing guidance on tax related matters and encouraging/supporting them in technical and professional development.
- To interpret the relevant laws in a legal way and to structuring transactions on a *bone fide* basis using commercial rationale and reflecting economic consequences, as opposed to artificial transactions where the main purpose was to obtain a tax advantage.
- Obtaining external advice where necessary to support the position taken in our tax submissions and ensure compliance.

## Approach to risk and attitude towards tax planning

The SRM Group has a strong belief that it should pay the amounts of tax that fall legally due in the UK and any other territory in which it operates. Transactions are structured on the basis of commercial and business rationale and not on an artificial basis or with the purpose of creating an abusive tax result.

Where reliefs and incentives are available that offer legitimate tax efficiencies, the group will look to make use of these and to promote value for its stakeholders.

There can be instances where alternative approaches are permitted, or ambiguities can lead to varying interpretations, and ultimately to different tax outcomes. As the SRM Group is committed to acting with integrity in compliance and reporting, management would use its judgement to determine the appropriate option, with consideration to the intended policy objectives of the legislating government.

## Approach towards its dealings with HMRC

In all of its dealing with HMRC, the SRM Group remains committed to:

- Operating within a framework of openness, trust and transparency.
- Maintaining our collaborative and professional relationship.
- Conducting all communications in a courteous manner that upholds our mutual respect and follows agreed upon procedures.
- Timely sharing of information with HMRC in relation to our decision making, business activities, results, key developments and tax planning.