# TAX STRATEGY PAPER 2021

MENZIES DISTRIBUTION GROUP
SEPTEMBER 2021

# INTRODUCTION

This document specifies the tax strategy of Menzies Distribution Group (hereinafter 'Group'), which comprises the parent entity known as Menzies Distribution Group Limited (formerly Endless Newco 1 Limited) and its various subsidiary undertakings as required by Schedule 19 of the Finance Act 2016. The Group tax strategy is not expected to vary significantly from year to year however it is reviewed and updated on an annual basis. It is also approved by the Board of Directors of the Group each year.

Ultimate responsibility for the Group tax strategy and compliance with tax legislation rests with the Board of Directors. However, the day to day management and implementation of taxation strategy is delegated to the CFO who in turn delegates it to the Group's Finance Department and external tax advisors where considered necessary.

The tax strategy applies to the following:

- Corporation tax
- Employment Taxes – PAYE and NI
- Indirect Taxes – VAT, SDLT, LBTT, customs duties and Stamp Duty

# OUR TAX STRATEGY

As a responsible business we are committed to full compliance with tax legislation both in the UK and in Ireland - the jurisdictions in which we operate. The Group recognises its responsibility to contribute to those economies in which we carry out our business, which includes paying the right amount of tax at the right time. Our strategy also includes achieving tax efficiency by claiming available reliefs in circumstances in which they are intended to be claimed and structuring commercial transactions in a tax efficient manner. It does not involve implementing artificial structures with the sole objective of reducing taxation.

The Board expects the Group to conduct its operations based on sound ethical practices.

# OUR TAX RISKS

In our business we accept that there will always be some exposure to tax risk which requires to be monitored and controlled. The key tax risks arise due to the following:

- having a subsidiary in Ireland means we do business, with different tax regimes and compliance requirements to the UK;
- the impact of Brexit and what this could mean to trading and transportation between Northern Ireland and the Republic of Ireland;
- the variety of different taxes payable and their varying treatments; and
- significant acquisitions and transactions and their funding may give rise to complex one-off tax exposures.

These risks go hand in hand with the Group's other commercial and financial risks. Therefore, when considering the risk associated with significant transactions or business decisions, the tax risk is assessed as a part of this process. Decisions are made with due consideration to all risk areas and not based solely around tax outcomes.

The preparation of the annual Group consolidated accounts requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. These reviews include the area of taxation where uncertainty can arise.

As a Group with an entity in Ireland, we are subject to tax in this jurisdiction and judgement is required in determining the provision for tax payable. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises provisions for tax payable based on estimates of the taxes that are likely to become due based on management's interpretation of that country's specific tax law and the likelihood of settlement. Management uses the services of external tax advisers and historical experience when assessing tax risks.

The group's appetite for tax risk is low.

## OUR MANAGEMENT OF TAX RISKS

In carrying out our business, the Group is inherently exposed to a level of tax risk and uncertainty as noted above. These risk levels are subject to changes in laws and regulations.

The Group actively seeks to manage tax risks through:

- use of external tax advisers with local in country expertise;
- frequent monitoring of tax legislation to ensure we keep abreast of any changes and encouragement for the relevant and appropriate staff within the Finance Department to undertake training;
- seeking external advice from tax and legal support where tax outcomes are uncertain or matters are complex and would benefit from external specialist input. An example of this is the tax due diligence undertaken on our recent acquisitions;
- reporting any significant, exceptional or non-routine tax matters which arise to the Board;
- a comprehensive tax update is provided to the Board annually with support from the Group's external tax advisers;
- a strong culture of corporate governance with challenge from the Board on tax and other related matters; and
- records and documents used to prepare tax returns and computations are retained for at least the period required by the relevant tax law.

## OUR POSITION ON TAX PLANNING

The Group seeks to minimise all business risks, including risks arising from tax. As part of this approach, the Group undertakes sensible tax planning to minimise unnecessary tax exposures and to support the Group's ongoing business activities. The Group appraises all investment and restructuring plans to understand future exposures and to ensure the business is sustainable and adds value. Tax costs and risks are therefore considered as part of the process by which key business decisions are reached.

We do not engage in artificial transactions structured in a way primarily to reduce tax. We do seek to utilise available reliefs and incentives to reduce tax charges in the way the reliefs are intended to be used.

## OUR RELATIONSHIP WITH HM REVENUE & CUSTOMS IN THE UK

The Group maintains an open and collaborative relationship with HM Revenue & Customs and we work together with the tax authority to resolve any UK tax issues. Regular update briefings and meetings are held between the HM Revenue & Customs' Customer Compliance Manager and the Group's CFO and his applicable finance team members.

The Group has assessed its risks under the Corporate Criminal Offence ("CCO") rules including undertaking and documenting a risk assessment and is continually evolving its reasonable prevention procedures. In addition, the Group is currently designated a 'low risk' taxpayer by HMRC. It is our objective to maintain that 'low risk' status with HMRC.

Whilst the approach of the tax authorities in the Irish jurisdiction in which the Group operates may differ from that of HMRC in the UK, the Group aims to maintain an open and constructive relationship with this overseas tax authority.

## OUR CONFIRMATION

Our published tax strategy has been approved by the Board and satisfies Paragraph 16(2) Schedule 19 of the UK Finance Act 2016, in respect of the financial year ending 31 December 2021.

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