



## Donnelly Group Tax strategy

**Donnelly Bros Garages (Dungannon) Limited and its subsidiaries consider the publication of this tax strategy as complying with the duty to publish the Groups tax strategy as required by paragraph 16(2), Schedule 19, Finance Act 2016.**

Donnelly Group considers the group to be a responsible tax payer and are committed to maintaining an appropriate tax strategy. The Group’s overall objective is to pay the correct amount of tax on a timely basis and to maintain an open and transparent relationship with HMRC.

Our tax strategy is underpinned and focused on the following key areas:

1. Integrity in compliance and reporting.
2. Enhancing shareholder value.
3. Commercial rationale.
4. Controlling and managing risks.
5. Being a trusted company.
6. Having a transparent relationship with HMRC.

The financial results for the period ended 31 December 2017, and comparative year to 31 October 2016 are as follows:

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Turnover	330,765,148	277,036,925
Gross Profit	34,946,067	28,763,732
Profit before tax	1,891,651	1,884,055
<b>Retained Earnings</b>	<b>1,478,814</b>	<b>1,379,862</b>
<b>Net assets</b>	<b>19,873,856</b>	<b>18,380,042</b>
<b>KPIs</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Growth in turnover	2.3%	12.3%
Gross profit margin	9.8%	10.4%
Profit before tax as a percentage of turnover	0.5%	0.7%
No of franchises held	34	32
Employee numbers	691	659

Further information on the financial results of the company can be found on the companies published Group consolidated financial statements at Companies House.

A snapshot of the Group's tax contributions can be found below for the period ended 31 December 2017:

	<b>Total</b>
<b>Tax liabilities</b>	<b>£</b>
Corporation Tax	<b>448,299</b>
Deferred Tax	<b>-27,415</b>
Effective Rate of CT	<b>21.8%</b>
Value Added Tax	<b>3,279,278</b>
Employment Taxes	<b>6,328,218</b>

### **1. Integrity in Compliance and Reporting**

We understand the value of our financial reporting to customers, investors and other stakeholders. We work to provide enhanced, transparent and balanced disclosure in communicating our tax affairs.

The Group is committed to acting with integrity and transparency in all tax matters as part of our objective of being a trusted company. Our tax strategy and policy require that we fully comply with the letter and spirit of the law. We disclose on our financial statements the tax expense and full reconciliation of statutory tax rates and effective tax rates and we make timely and accurate tax returns that reflect our fiscal obligations to Government.

External third party software is licensed for use in house for preparing tax returns as well as providing an additional layer of integrity for HMRC. It ensures that any changes to legislation that impact tax calculations are correctly reflected in tax returns.

### **2. Enhancing Shareholder Value**

We deliver goods and services to customers at a price they are willing to pay, while providing our shareholders with returns that attract long term investment. The Group's overall strategy and policies balance the need to maintain trust with stakeholders, while also generating a return for shareholders.

### **3. Commercial Rationale**

Minimising the Group's tax liabilities by recognising appropriate legislative concessions and reliefs is of benefit to our customers via lower costs and to our shareholders by enhancing returns. In line with the Group's tax strategy, it seeks to make use of such appropriate reliefs and to control the Group's tax costs.

Whilst seeking to minimise tax liabilities for the benefit of customers and shareholders, the Group's policy is not to use any aggressive tax planning or use any artificial tax avoidance schemes in line with being a trusted company.

#### **4. Controlling and Managing Risks**

We aim for certainty on the tax positions that we adopt. However, tax law can be unclear at times or subject to interpretation. On occasion, interpretation of that law may be opposed to Government's intention. Our policy is:

- Not to enter into any transactions that have as their main purpose gaining a tax advantage.
- Not to make any interpretations of tax law that is opposed to the spirit in which the Government intended.

To support the Group on this policy and to ensure that interpretation of the law is as it was intended, we have an internal tax specialist. As well this, we engage with a Top 4 accounting firm and legal firms where necessary for tax and legal advice.

#### **5. Being a Trusted Company**

Demonstrating an understanding of where your stakeholder needs are, what issues they have and what the opportunities are, and having frequent dialogue with these stakeholders is a fundamental part of being a trusted company.

The position of a trusted company must be earned, it takes time and investment of effort and we believe that for a long number of years we as a Group have made an investment in these stakeholders.

We have built a trusted relationship and our tax strategy supports this trust status through integrity and transparency at all times.

#### **6. Having a Transparent Relationship with HMRC**

An important part of our tax strategy and policies and in support of the trusted company status is the maintenance and development of a strong, proactive working relationship with HM Revenue and Customs. We are transparent with HMRC and, in cases of interpretation or complexity, work with them on a real time basis to determine the amount of tax due.

#### **Tax Governance**

Tax is part of the finance function of our Group and it is the ultimate responsibility of the Group Finance Director and Senior Accounting Officer as well as the Group Tax and Compliance Manager to ensure the policies surrounding tax are adhered to.

Ultimately the Board of Directors of the Group are responsible for its approval, implementation and delivery.

The Board duly approved the above Tax Strategy at a Board of Directors meeting held at 59 Moy Road, Dungannon, Co Tyrone BT71 7DT on 24<sup>th</sup> day of April 2019.

Signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'Philip Jordan', with a long horizontal flourish extending to the right.

Philip Jordan

Group Finance Director