

EMPLOYEE OWNERSHIP TRUSTS (EOT)

A path to shared ownership, succession and growth



WHY CONSIDER EMPLOYEE OWNERSHIP?

Employee ownership is one of the fastest growing SME business ownership models. For many businesses, it is not just a viable solution to ownership succession but is potentially superior to the alternatives of third-party sale, management buy-out (MBO) or liquidation.

Benefits of Employee Ownership for the:

Retiring/Business Owner

- Realise the value built up in your business
- Leadership succession can be implemented over time
- Peace of mind that the business is in good hands
- Legacy

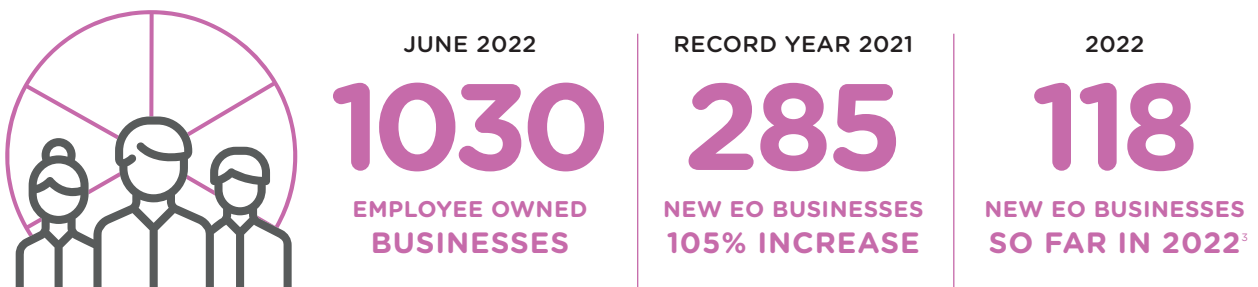
Business

- A solid foundation for further growth
- Helps to create a more resilient and adaptable business, committed to the long term
- Preservation of the business's values and its culture
- As well as rewarding everyone's contribution, also enables targeted rewards for key people
- Increased productivity. In 2021 the Employee Ownership Top 50 companies enjoyed median productivity growth of 9.4% 'like for like' or 5.2% as a whole, double the UK average of 2.6%¹

Employees

- Employees have a strong reason to be more engaged, committed and motivated, with a clear shared purpose
- No need to make personal investment or changes to their employment
- A full share in the rewards of success and can receive a tax free bonus of up to £3600 per annum

According to The Ownership Dividend report² published in 2018, employee-owned companies tend to be more productive with stronger growth and performance. Many employee-owned companies have reported that employee ownership provided them with the resilience to see them through the challenges brought by the Covid-19 pandemic.



Source: <https://employeeownership.co.uk/resources/reports/>

¹ <https://employeeownership.co.uk/resources/reports/> ² <https://employeeownership.co.uk/resources/what-the-evidence-tells-us/>

³ up to but not including June 2022. White Rose Centre Employee Ownership Profile: <https://employeeownership.co.uk/resources/what-the-evidence-tells-us/>

*The **EO sector** more than **doubled between 2020-22** as more business owners realised the many potential benefits this transition could offer themselves, their businesses, their employees and the wider economy*



WHAT IS AN EMPLOYEE OWNERSHIP TRUST?

Although employee ownership of businesses has existed for a long time (the John Lewis Partnership took its first step to employee ownership in 1929) only in recent years has it moved into the mainstream.

The Employee Ownership Trust (EOT) that we know today was created in 2014 by a UK government that was convinced of the merits of employee ownership and keen to encourage more companies to become employee owned.

An EOT is a trust created to hold shares in a company on behalf of its employees, so that they become the owners (indirectly).

The EOT offers two tax breaks with certain conditions:

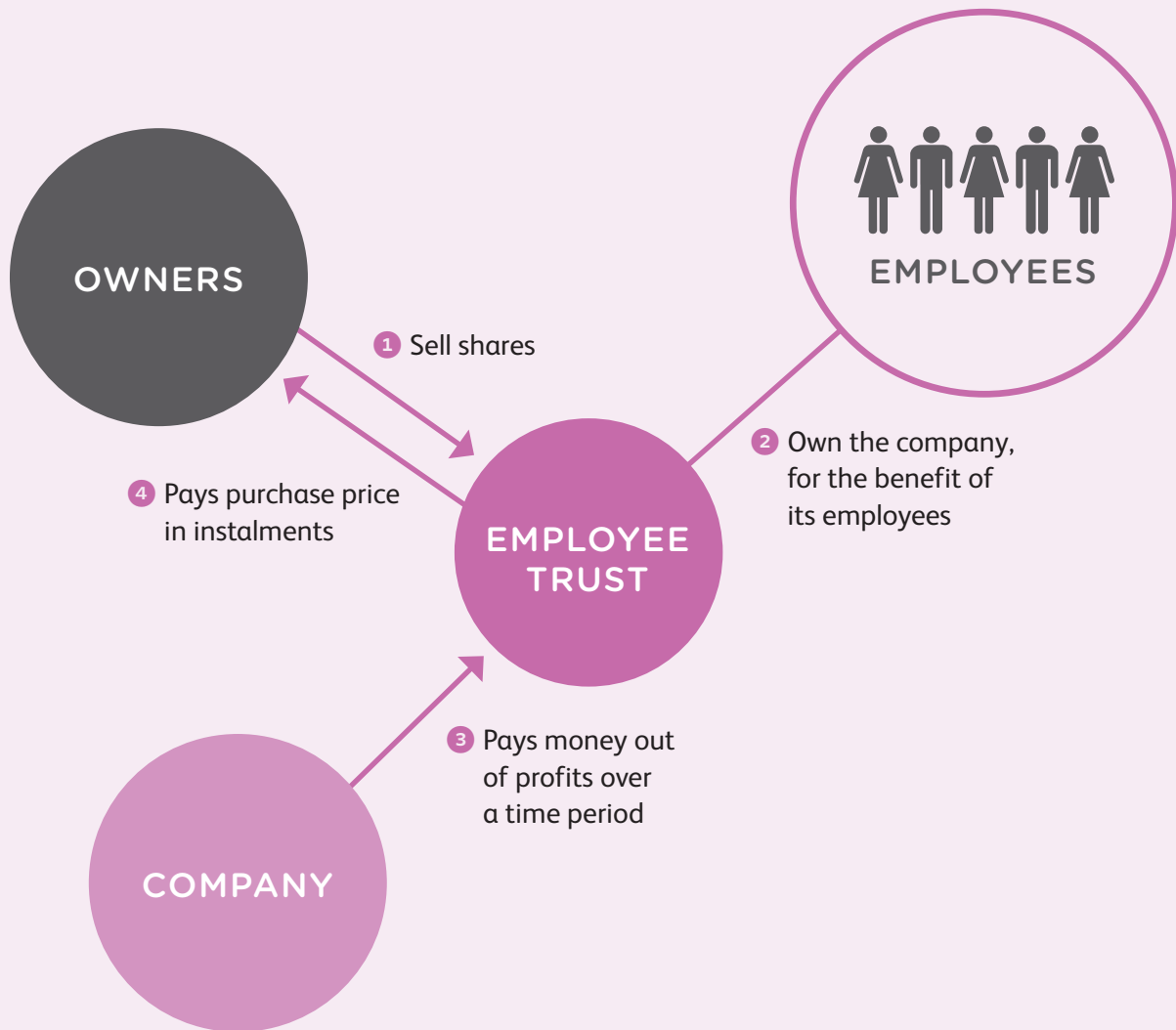
- Those selling their shares to an EOT may do so free of capital gains tax so long as the EOT acquires a controlling interest (more than 50%).
- Once the company is owned by the EOT a tax-free bonus can be paid to staff as long as all are included and on the same terms.

An EOT may not be right for every business, but for many it can be a good succession solution.



Source: <https://employeeownership.co.uk/resources/reports/>

WHAT DOES AN EOT OWNERSHIP STRUCTURE LOOK LIKE?



HOW CAN WE HELP YOU?

We are a team of specialist employee ownership and share scheme lawyers. Our 20 years' experience of advising businesses on employee ownership, across a broad range of sectors and in many different situations, means you can be confident that we'll stand by your side and ensure what you do is fit for purpose, commercially sound and as tax efficient as is feasible.

Employee-owned ourselves, we combine an enthusiasm for employee ownership with a deep, practical understanding of what works best, the issues to be addressed in achieving the best outcome and any approaches that are best avoided.

We are proud to have assisted over 100 companies to become employee owned.

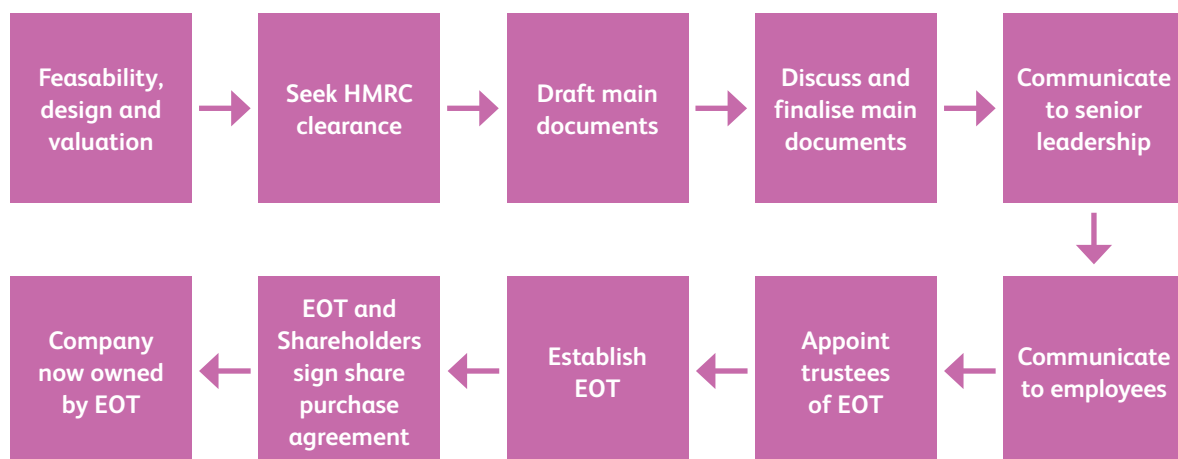
WORKING TOGETHER

We will:

- 1 ask you to tell us about your company, listen to what you want to achieve and help you design the employee ownership structure that is right for your company.
- 2 guide you through the implementation process, providing all necessary legal and taxation advice, all legal documents and seeking any recommended advance taxation clearances.
- 3 help you manage the project according to your preferred timescale.

There will normally be a team of two lawyers working for you, one to provide oversight, project management and help you make decisions and one to prepare the legal documents.

KEY STEPS AND TIMINGS



It's recommended you allow up to six months to complete the transition

WE'VE HELPED OVER 100 BUSINESSES BECOME EMPLOYEE OWNED

Yes that's right, over the years our experienced and dedicated team have helped over 100 owners transition their businesses to employee ownership. That's almost 10% of the total employee owned sector!⁴

“ From the moment I was introduced to Postlethwaite... I knew we had the right solicitors to help us manage and negotiate the transition of TensCare to employee ownership. Postlethwaite Solicitors were clear about the process and benefits involved and upfront about their fees.

NEIL WRIGHT, MANAGING DIRECTOR,
TENS CARE

“ The team at Postlethwaite were fantastic from start to finish, taking time to explain all our options and guiding us through the process to a successful conclusion. What I expected to be fairly difficult and stressful actually proved to be simple and very satisfying, even fun!

NIC SEAL, MANAGING DIRECTOR,
ENVIRONET UK LTD

“ Willing to pull out all the stops to ensure that complex transactions can be completed by the deadline.

CHAMBERS DIRECTORY 2022

“ I found the firm very professional and (they) dealt with queries very well to get this project over the line.

IAN WIMBUSH, CHAIRMAN,
KIM SOFTWARE SOLUTIONS

“ Many thanks to David, Toby and the team at Postlethwaite for their impressive work on completing our EOT. Highly efficient and very easy to work with, they made the whole thing painless!

SIMON MELLINGER, MANAGING DIRECTOR,
HATTONS OF LONDON

“ Wonderful support, professional service and on time delivery – exactly when you need to go for an EOT transaction.

ATAL MALVIYA, DIRECTOR,
CONCEPTO DIAGNOSTICS

⁴ Latest EOA research up to June 22 of 1030 being employee owned

MEET THE POSTLETHWAITE TEAM

We are employee owned ourselves and with top firm and lawyer rankings you can be sure you're making the right decision when choosing to work with us.



Robert Postlethwaite
Founder & MD



David Reuben
Director



Toby Locke
Share Plans
Director



Judith Harris
Senior Solicitor



Jo Cunningham
Solicitor



Hannah Tinsley
Paralegal



CONTACT US

For an informal discussion without cost or commitment, call or email us via the details below.

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Postlethwaite
EMPLOYEE OWNERSHIP & SHARE SCHEMES



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