

# Employee Ownership Trusts

**A PATH TO SHARED OWNERSHIP,  
SUCCESSION AND GROWTH**



# Why consider Employee Ownership?

Employee ownership (EO) is one of the fastest growing SME business ownership models. Over 1650<sup>1</sup> businesses are now employee owned in the UK. For many, it is not just a viable form of ownership succession but potentially superior to the alternatives of third-party sale, management buy-out or liquidation.

The sector grew by more than 30% in the previous 12 months to October 2023, as more business owners realised the many potential benefits this transition could offer themselves, their businesses, their employees and the wider economy.

EO businesses have existed for a long time (the John Lewis Partnership took its first steps in 1929) and are proven to work across a range of sectors demonstrating its widespread suitability.

In recent years EO has moved into the mainstream, as more learn of its advantages. For a private company owner wishing to retire and looking for an alternative to a trade sale, EO through an Employee Ownership Trust (EOT) is certainly worth considering. It places the business in the hands of the people who understand it, have a strong personal commitment to its long-term success and are motivated by their ownership to make it thrive.

## POSSIBLE BENEFITS OF EMPLOYEE OWNERSHIP FOR:

| THE BUSINESS OWNERS/<br>SHAREHOLDERS                                                                                                                                                                                                                        | THE BUSINESS                                                                                                                                                                                                                                      | THE EMPLOYEES                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>• Realise the value built up in the business</li><li>• Leadership succession can be implemented over time</li><li>• Peace of mind that the business is in good hands</li><li>• Legacy</li><li>• Tax reliefs</li></ul> | <ul style="list-style-type: none"><li>• A solid foundation for future growth</li><li>• Helps create a more resilient and adaptable business</li><li>• Preservation of the business' values and culture</li><li>• Increased productivity</li></ul> | <ul style="list-style-type: none"><li>• More engaged, committed and motivated – clear shared purpose</li><li>• No personal investment or changes to their employment required</li><li>• Full share in the rewards of success – a tax free bonus (limits apply)</li><li>• Targeted rewards available for key people if required</li></ul> |

## THE EO SECTOR



## WHAT THE DATA TELLS US

According to the Employee Ownership Association's (EOA) latest research report 'People Powered Growth', **employee owned businesses (EOBs) are 8–12% more productive than non-EOBs**. They also make a greater economic contribution: whilst EOBs comprise just 0.1% of UK businesses, they drive 0.8% of direct Gross Valued Added<sup>2</sup> and 1.7–2.1% of overall UK economic activity. EO also tends to drive up company profits, with EOBs 25% more likely to have seen profits increase in the last 5 years compared with non-EOBs.

EOBs ARE  
**8–12%  
MORE  
PRODUCTIVE**  
THAN NON-EOBs

Generally, EOBs are delivering better business and being socially responsible for example, 71% of EOBs include making a positive contribution to society and the environment in their statement of purpose, whilst 96% say that looking after their workforce is a key measure of success<sup>3</sup>.

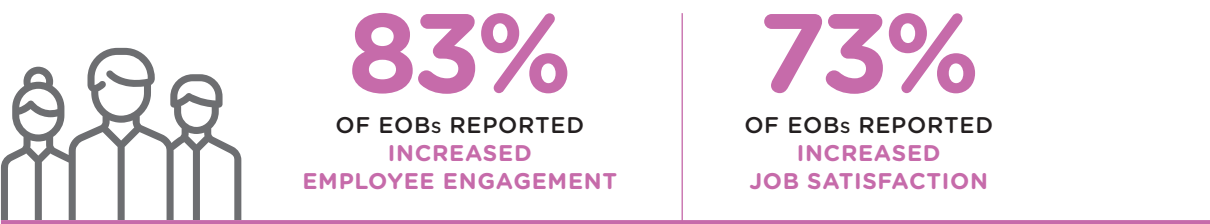
To read the EOA's full Knowledge Programme report visit: <https://employeeownership.co.uk/kp/>

## SINCE ADOPTING AN EO MODEL:

### THE BUSINESS



### THE EMPLOYEES



“The findings are remarkable. They clearly show that this small section of the UK economy is punching above its weight across multiple dimensions of impact on individuals, businesses, communities and the wider economy.

JAMES DE LE VINGNE, CEO, EMPLOYEE OWNERSHIP ASSOCIATION ON THE LATEST FINDINGS FROM THE KNOWLEDGE PROGRAMMES RESEARCH REPORT 'PEOPLE POWERED GROWTH'

<sup>1</sup> Knowledge Programme Report October 2023

<sup>2</sup> An economic measure of value added in a business <sup>3</sup> June 2023 EO Day evidence: <https://employeeownership.co.uk/resources/what-the-evidence-tells-us/>

# What is an Employee Ownership Trust?

The Employee Ownership Trust (EOT) is an increasingly popular and new way for businesses to be owned. It was created by the UK Government in 2014, which saw increasing ownership of companies by their employees as a key way to increase productivity. In 2021, according to the Institute of Chartered Accountants (ICAEW), a sale to an EOT represented 1 in 20 of all private company sales.

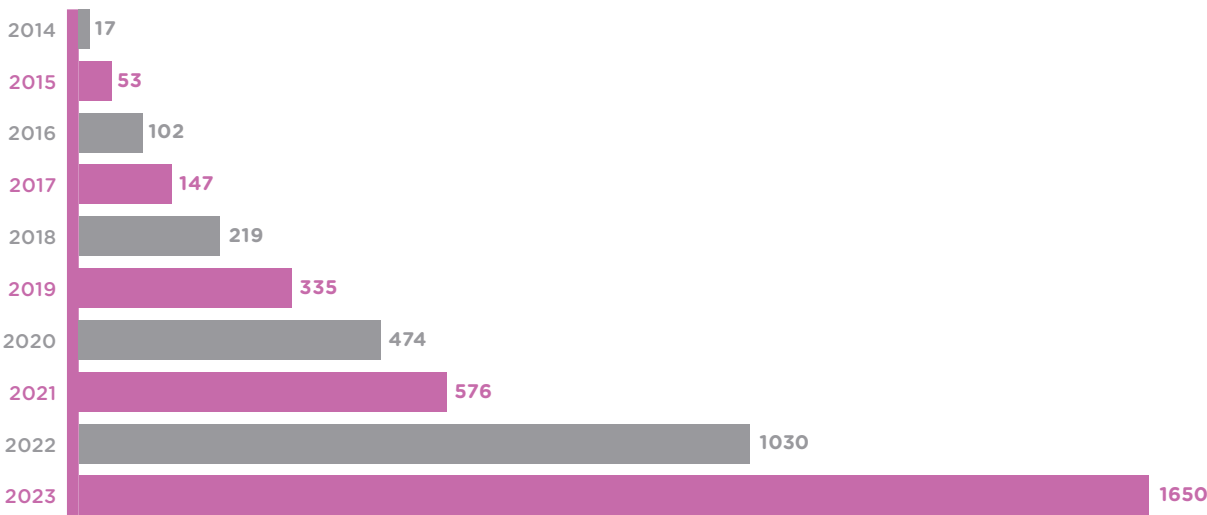
An EOT is a trust created to hold shares in a company on behalf of its employees, so that they become the owners (indirectly).

The EOT offers two tax breaks with certain conditions:

- Those selling their shares to an EOT may do so free of capital gains tax as 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.

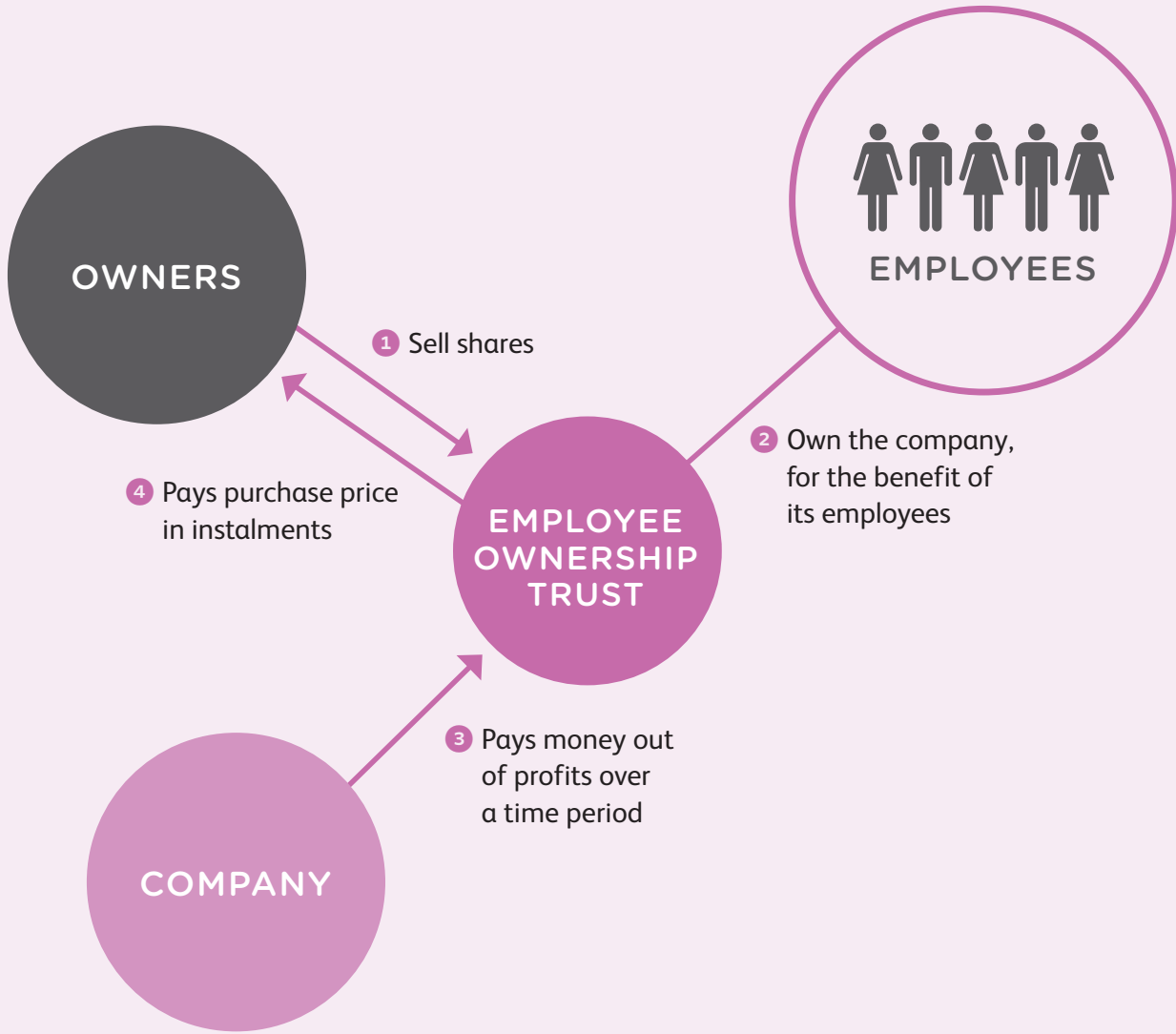
An EOT may not be right for every business, but for many it can be a good succession solution.

## CUMULATIVE NUMBER OF LIVE EOTS IN THE UK



Source: Knowledge Programme Report October 2023

# How does a company typically become owned by an EOT?





# How can we help you?

We are a team of specialist employee ownership and share scheme lawyers. Our 20+ years' experience of helping businesses become employee-owned, across a broad range of sectors and in many different situations, means you can be confident that we'll ensure your employee ownership structure is fit for purpose, commercially sound and as tax efficient as is feasible.

100% 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 130 companies to become employee owned. No two companies are the same and our team will always work closely with your company's owners, directors and employees (and other advisers if required) to ensure the best outcome.

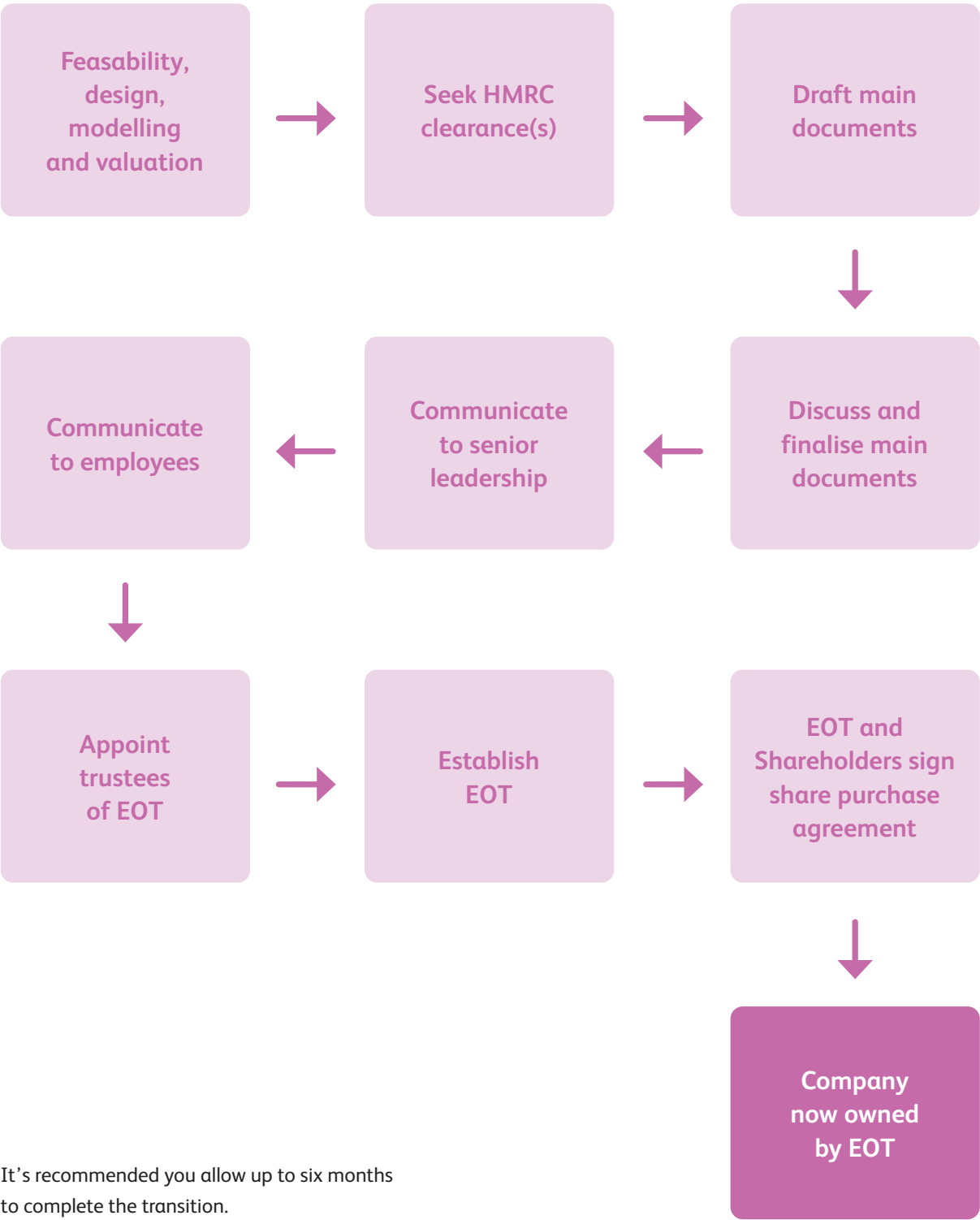
## HELPING YOU MAKE THE RIGHT DECISIONS

We will:

- 1 ask you to tell us about your company, listen to what you want to achieve and then help you design an employee ownership structure that is right for you, your company and its employees.
- 2 guide you through the implementation process, providing all the necessary legal and taxation advice, all the legal documents and helping you explain this important change to your employees.
- 3 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 assistance in you making 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 130 businesses become EO

Our experienced and dedicated team have helped over 130 owners transition their businesses to employee ownership. Here are some case study examples:

## CASE STUDY: NIKWAX

Business Sector: Manufacturing



### Why employee ownership?

Set up in 1977 by founder Nick Brown, today Nikwax are a global leader in safe, high-performance waterproofing, cleaning and conditioning for outdoor wear, an international company, with branches in Europe and North and South America.

Nick had been looking for more than a decade into options to achieve a smooth succession for Nikwax and sister company Páramo. Nick's legacy is one of trying to do business in a responsible way, taking into account the planet and peoples' future. He liked that the idea of an EOT was that it exists for the benefit of the employees and all, in effect, are partners whilst employed.

### How does it work?

The company is 100% owned by an EOT. This enabled the founder shareholder Nick Brown to preserve the Company's independence, transfer ownership to the employees, whilst realising the value of his stake in the business.

Páramo's Colombian subsidiary with a primarily female workforce, provides sustainable, meaningful employment, and refuge from exploitative or vulnerable situations. All are also co-owners along with the company's UK and European employees.

In addition, part of the transition is a watertight undertaking that 1% of turnover will forevermore be dedicated to environmental and social projects.

“The Postlethwaite team enabled Nikwax and Páramo to preserve our unique purpose-led values whilst building a sustainable future as we transition from being founder owned to an exciting employee-owned collective. Nothing was too much trouble; complexities and challenges were solved with an efficient, collaborative and ultimately bespoke approach that worked for us. Thank you for helping us to secure a special and exciting future as Partners in our business!

NICHOLAS DOYLE, GROUP OPERATIONS DIRECTOR, NIKWAX



## CASE STUDY: SYNERGY VISION

Business Sector: Communications Agency



### Why employee ownership?

Synergy Vision, founded in 2007, is an award-winning medical communications agency, working primarily with pharmaceutical companies. They have offices in London, Dublin and Sydney.

Founder and CEO, Ffiona Dawber decided, along with her colleagues that the EO model was right for the future of Synergy Vision and in line with the Company's objectives and values – especially their people-first ethos.

“Employee Ownership is a natural step forward for Synergy Vision. We have transferred 87.5% of the company to our employees, which protects our people-focused ethos and will drive continued innovation for clients, as well as growth and long-term sustainability.

FFYONA DAWBER, SV FOUNDER AND CEO

### Simplifying a complex structure

The company structure was complex, involving a holding company, trading subsidiaries in three countries, and minority individual shareholders in each. There was also an EMI option scheme in the holding company. Each company had its own valuation.

To facilitate a transfer to EO, the minority shareholders in each subsidiary exchanged their shares for shares in the holding company, giving it 100% ownership of each subsidiary. Most shareholders then sold their shares in the holding company to the Employee Ownership Trust (EOT). The EOT tax incentives were not available for those outside the UK.

In 2021 the Company became 87.5% employee owned with 50 employees.

### Who runs the business?

The day to day running of the company continues to be the responsibility of the board and company directors. The EOT's role, as the company's controlling shareholder, is to act in the best interests of the EOT's beneficiaries, its employees. This includes ensuring the company is being well run by its directors as an EO company.

The EOT is operated by its trustees; comprising one former owner, one employee and one independent person.

### What's changed?

The company made a commitment to start sharing profits with all employee owners in the first year, rather than waiting until the EOT had paid for its shares.

Retention has greatly improved. The company used to have a 25% staff turnover and now it is at 14%<sup>1</sup>.

Recruitment has also become easier as new hires are mostly done through word of mouth and they rarely have to use recruiters.

There is now a people committee which helps with internal communications throughout the company.



<sup>1</sup> As at September 2023



# Testimonials

“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



# Could an EOT be right for your company?

Please contact us if you like help evaluating whether moving to EO may be right for your company. We offer a free no commitments initial meeting, in which we'll ask you to tell us about your company, its ownership and how you are thinking that might change. We can then help you evaluate whether EO is potentially a solution.

## Notes

# Meet the Postlethwaite team

We are 100% employee owned ourselves, regulated by the solicitors regulation authority, and have top firm and lawyer rankings for several consecutive years with Law Guides, Chambers & Partners and Legal 500. You can therefore be sure you're making the right decision when choosing to work with us.

## THE SOLICITORS



**Robert Postlethwaite**  
Founder & MD

Robert Postlethwaite, the company's Founder and Managing Director, sits on the EOA's Employee Membership Council, is the author of 'The Employee Ownership Manual' written and independently published and has been top tier ranked for 13 years by Chambers & Partners.



**David Reuben**  
Director

David Reuben is a Director and has worked at Postlethwaite since 2010. He is an expert in share schemes and employee ownership transitions. He has been top tier ranked for 11 years by Chambers & Partners.



**Toby Locke**  
Share Plans  
Director



**Judith Harris**  
Senior Solicitor



**Harpreet Baura**  
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**Hannah Tinsley**  
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## 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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