

# EOT *Survey*

2017 Results

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*John Lewis Partnership*

Compiled by



# Employee Ownership Trusts

- Introduced in the Finance Act 2014
- Encourages transitions to majority employee ownership
- Provides CGT relief for business owners who sell a majority stake to an EOT
- Provides the means to give income tax-free bonuses to employees
- The trust must operate for the benefit of all employees on similar terms

## The Survey

In October 2015, the Employee Ownership Association (EOA) launched a survey of companies that had established Employee Ownership Trusts (EOTs).

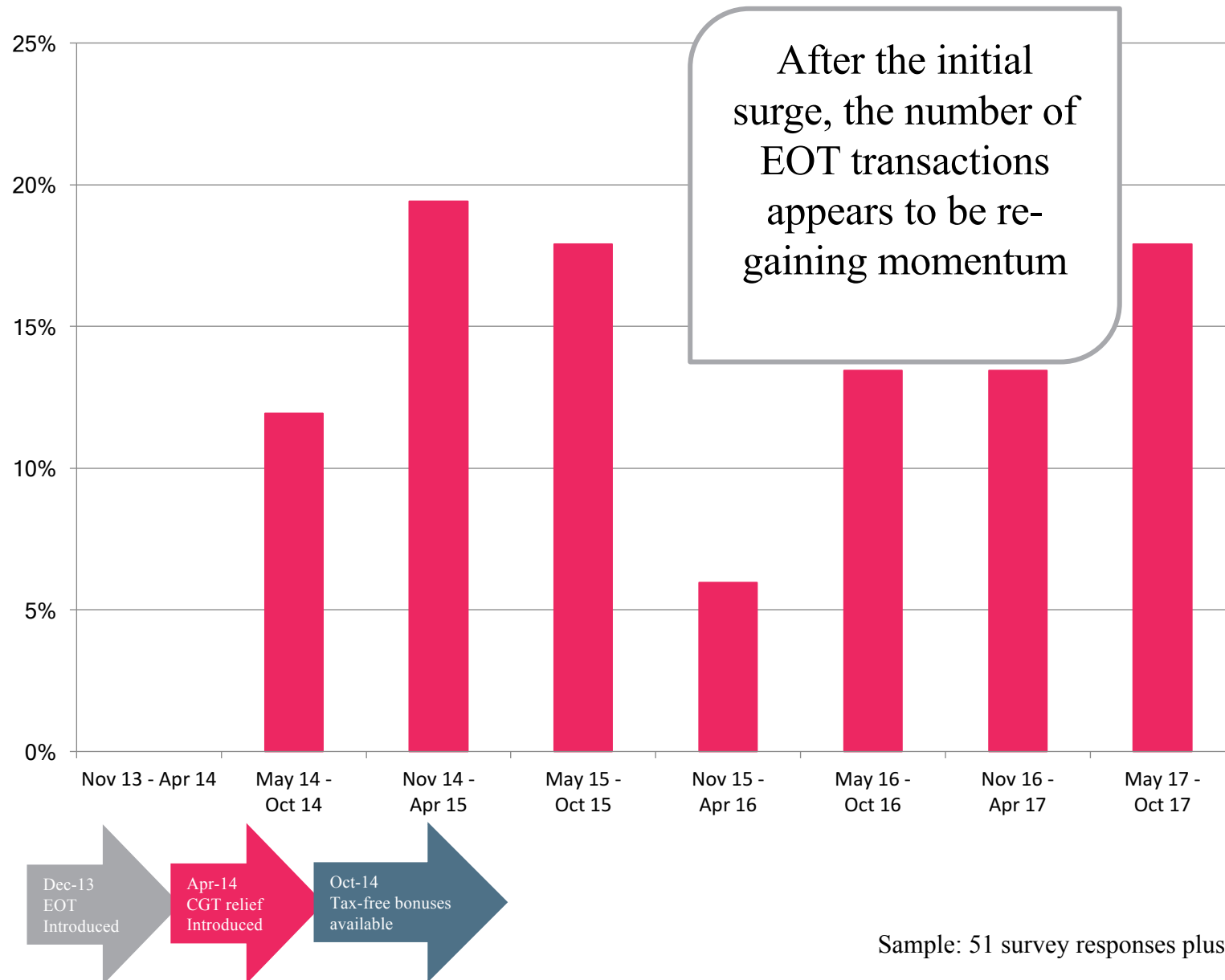
Following its success and the valuable insights it provided, the EOA commissioned RM2 to administer an evergreen version of the survey to continue to gather basic facts and opinions on the EOT model.

These are the latest results from survey data as at 31 October 2017.

# Number of responses

173	companies identified
(25)	unverified
148	known EOT companies
(22)	deemed EOTs
126	subject of survey
51	responses so far
40%	response rate

# The transitions took place...

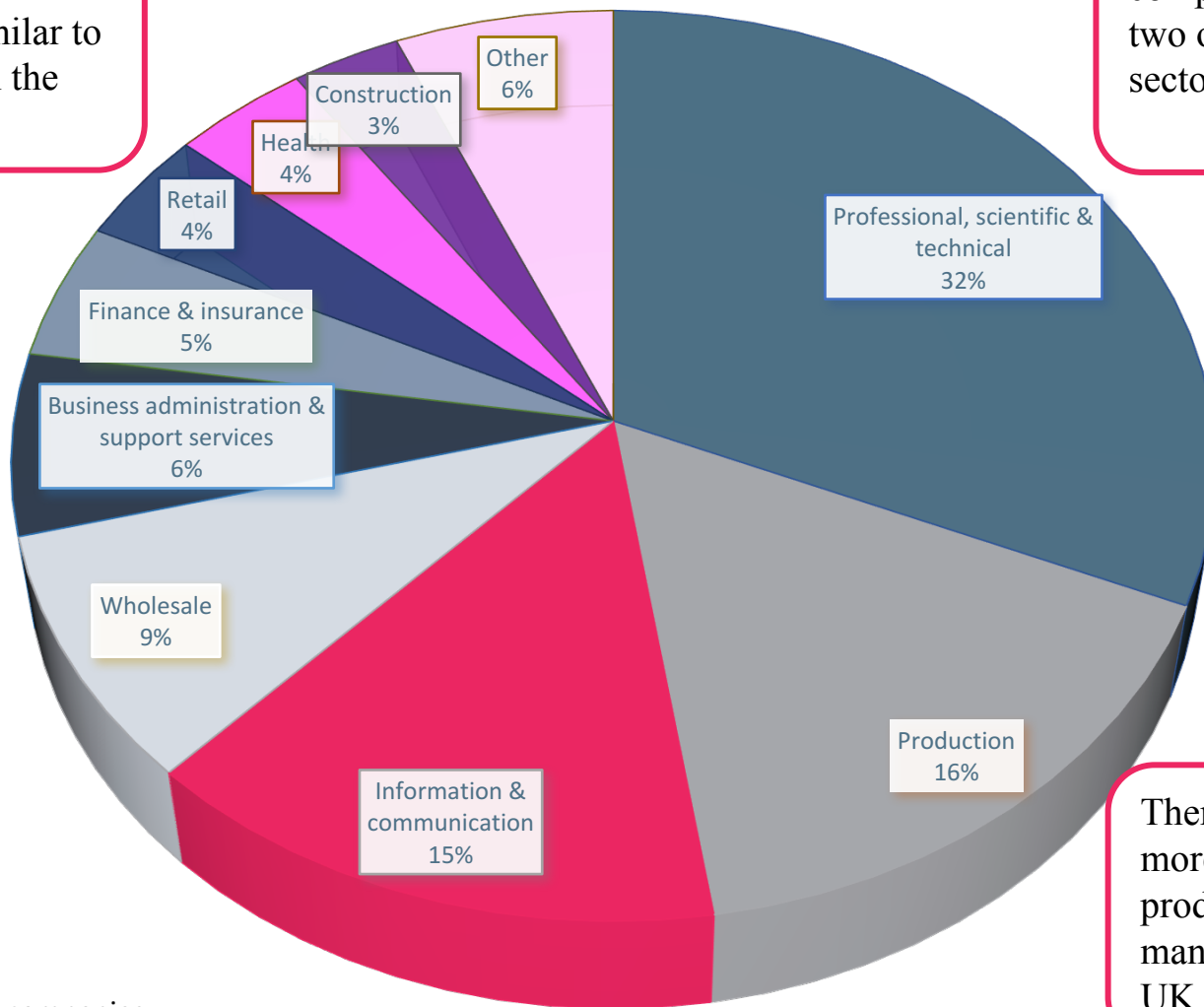


Sample: 51 survey responses plus 16 public domain sources

# Industry type

The distribution of EOT companies across trade sectors is not dissimilar to the pattern found in the wider economy.

EOT companies and UK companies as a whole have two of the top three trade sectors in common



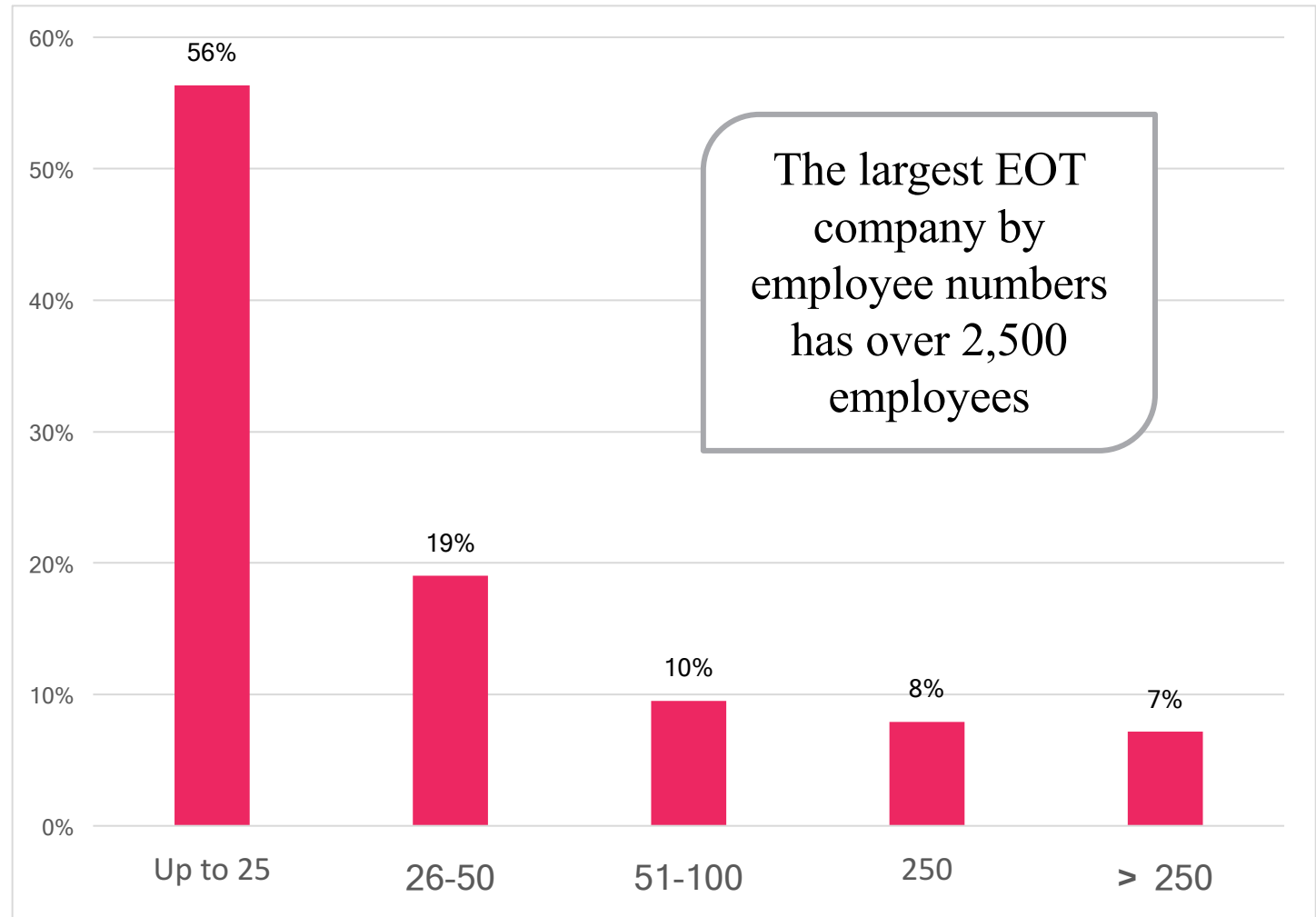
There are proportionally more EOT companies in production (aka manufacturing) than in the UK economy

Sample: all 126 new EOT companies

# Business size (employee numbers)

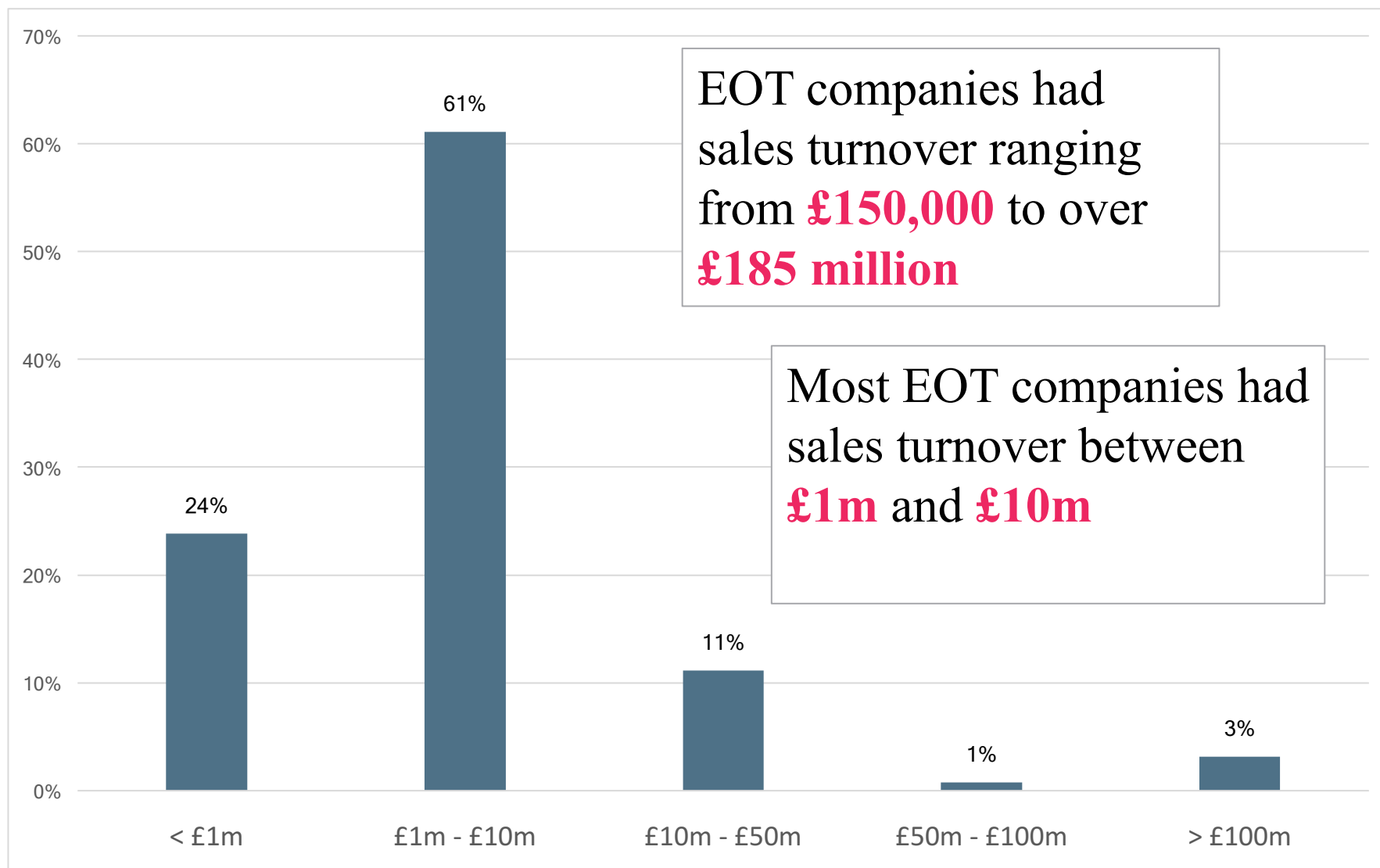
Most EOT companies have 25 or fewer employees and nearly all are SMEs

EOT companies employ 11,600 people in total



Sample: all 126 new EOT companies

# Business size (turnover)



Sample: all 126 new EOT companies

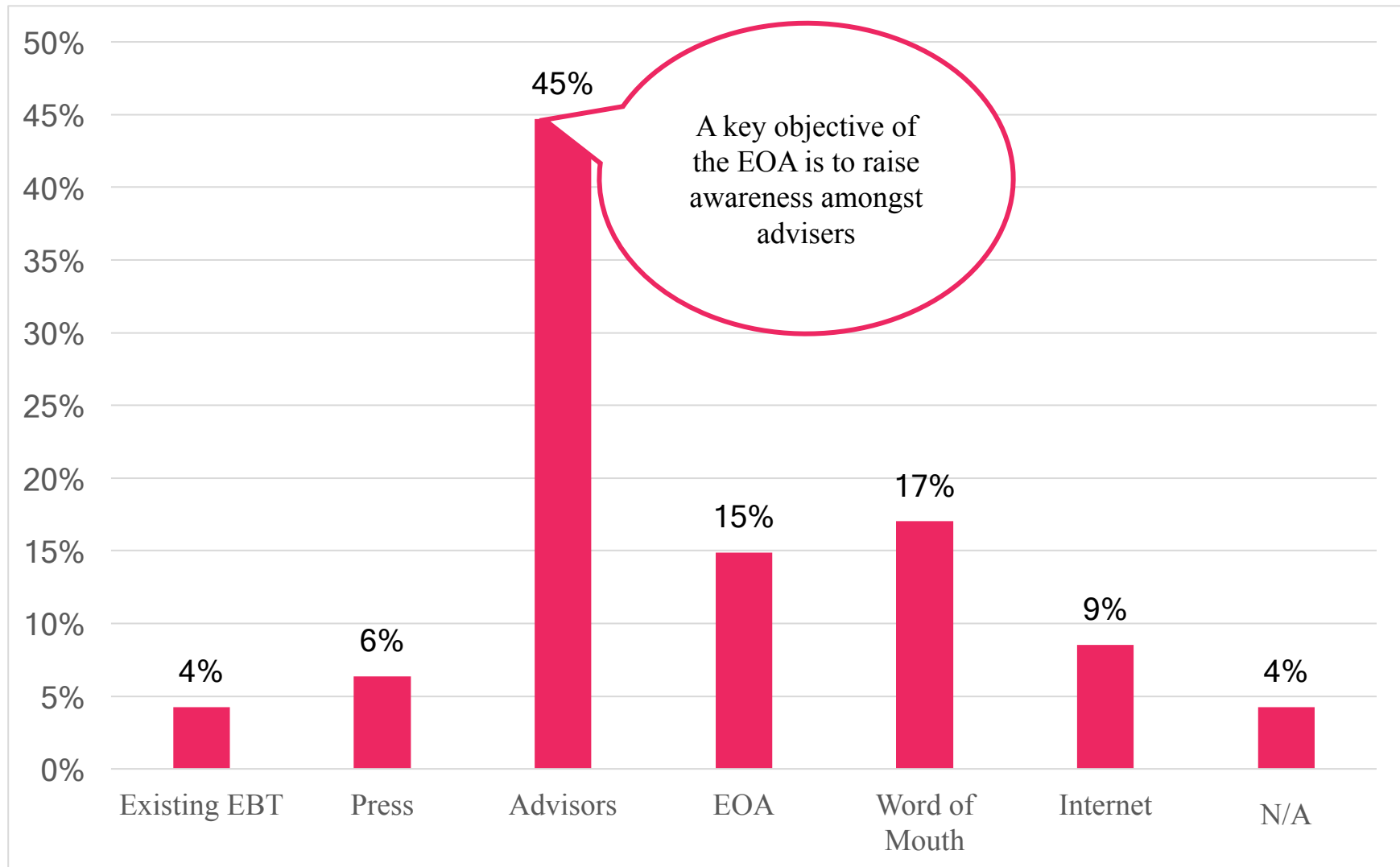
# EOTs now represent nearly half the EO sector

	New EOTs	Deemed EOTs	Total EOTs	Total EO sector	EOTs as % total EO sector
No. of companies	126	22	148	350	42%
Employees	11,600	92,200	103,800	215,600	48%
Sales Turnover	£1.3 bn	£10.2 bn	£11.5 bn	£25.6 bn	45%

1. For smaller companies that publish abbreviated accounts, employee numbers and sales turnover were estimated from total assets, which is disclosed for all companies, however small.
2. The total number of EO companies is estimated by EOA and the White Rose Employee Ownership Centre to be c. 350.
3. Employee numbers and sales turnover for the total EO sector were extrapolated from the data compiled by RM2 for the annual Top 50 list of employee owned companies.

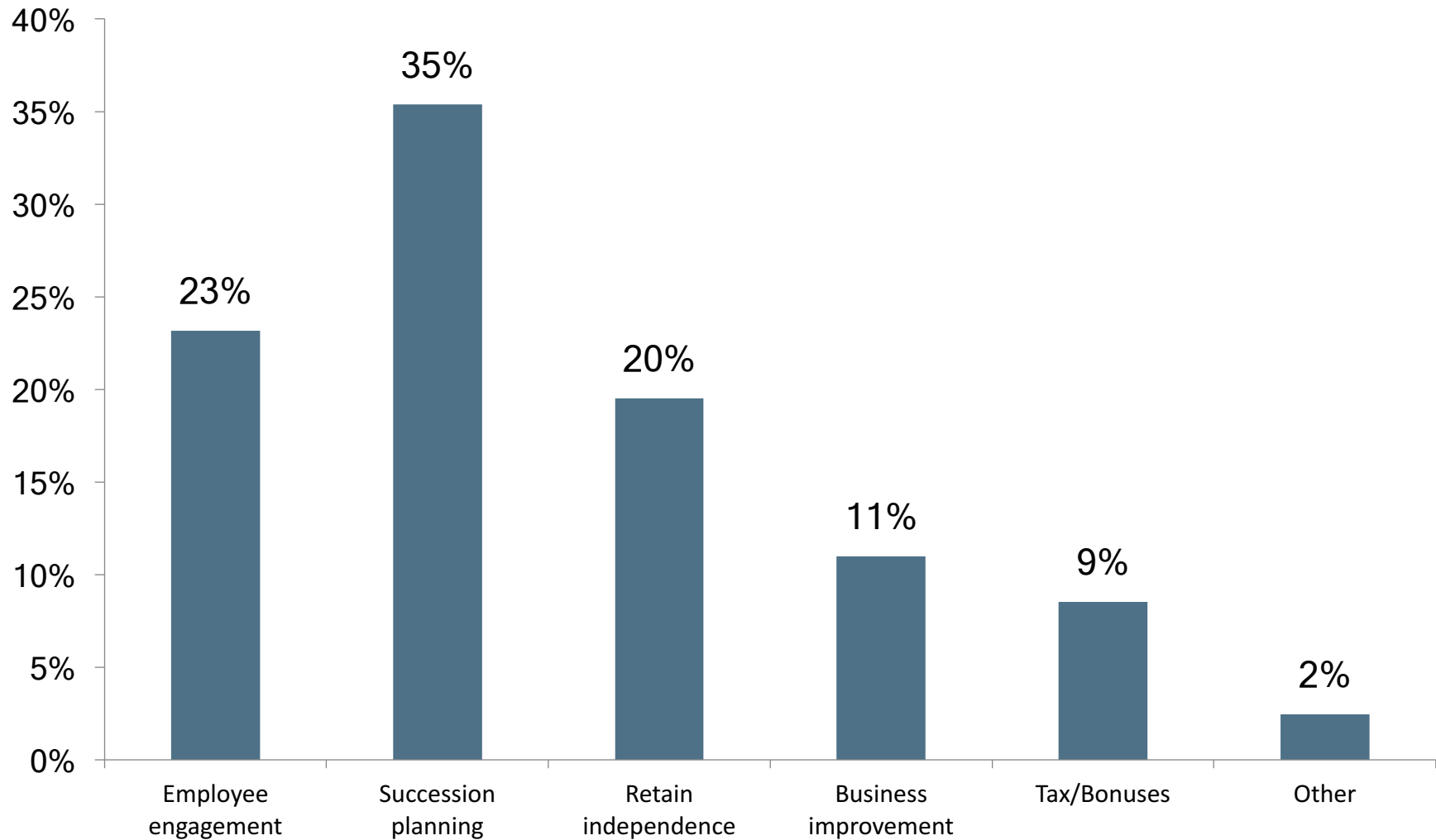


# Heard about EOTs from...



Sample: 51 survey responses

# Reasons for establishing EOT



Sample: 51 survey responses

NB: Companies were able to provide multiple answers

# Reasons behind the EOT

**Improved performance and the ability to share rewards and benefits realised.  
As well as clear succession planning and a controlled exit for the founders.**

“

**To ensure the long-term future of the company by safe-guarding our independence and fully engaging our employees to ensure decision-making is solely focussed on the long-term benefit of customers and employees**

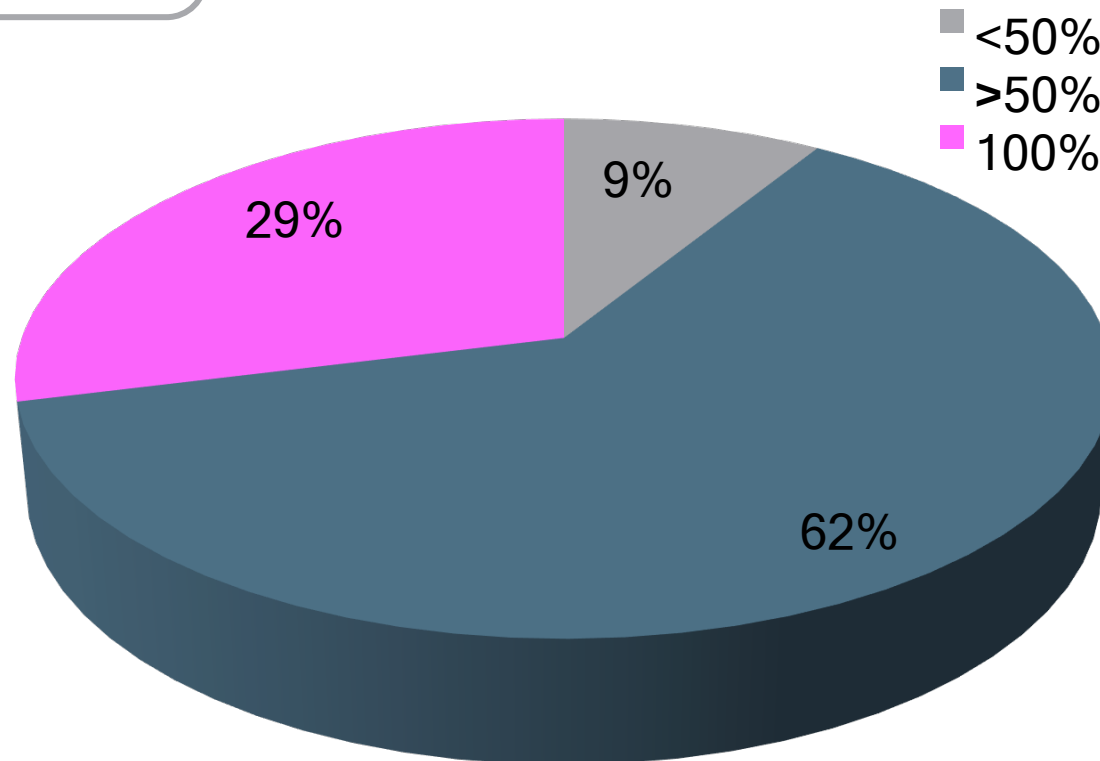
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**To improve employee engagement, provide for profit share bonuses to employees and ensure the longevity of the company.**

**Future development, empowering the workforce and succession planning.**

# Size of EOT shareholding

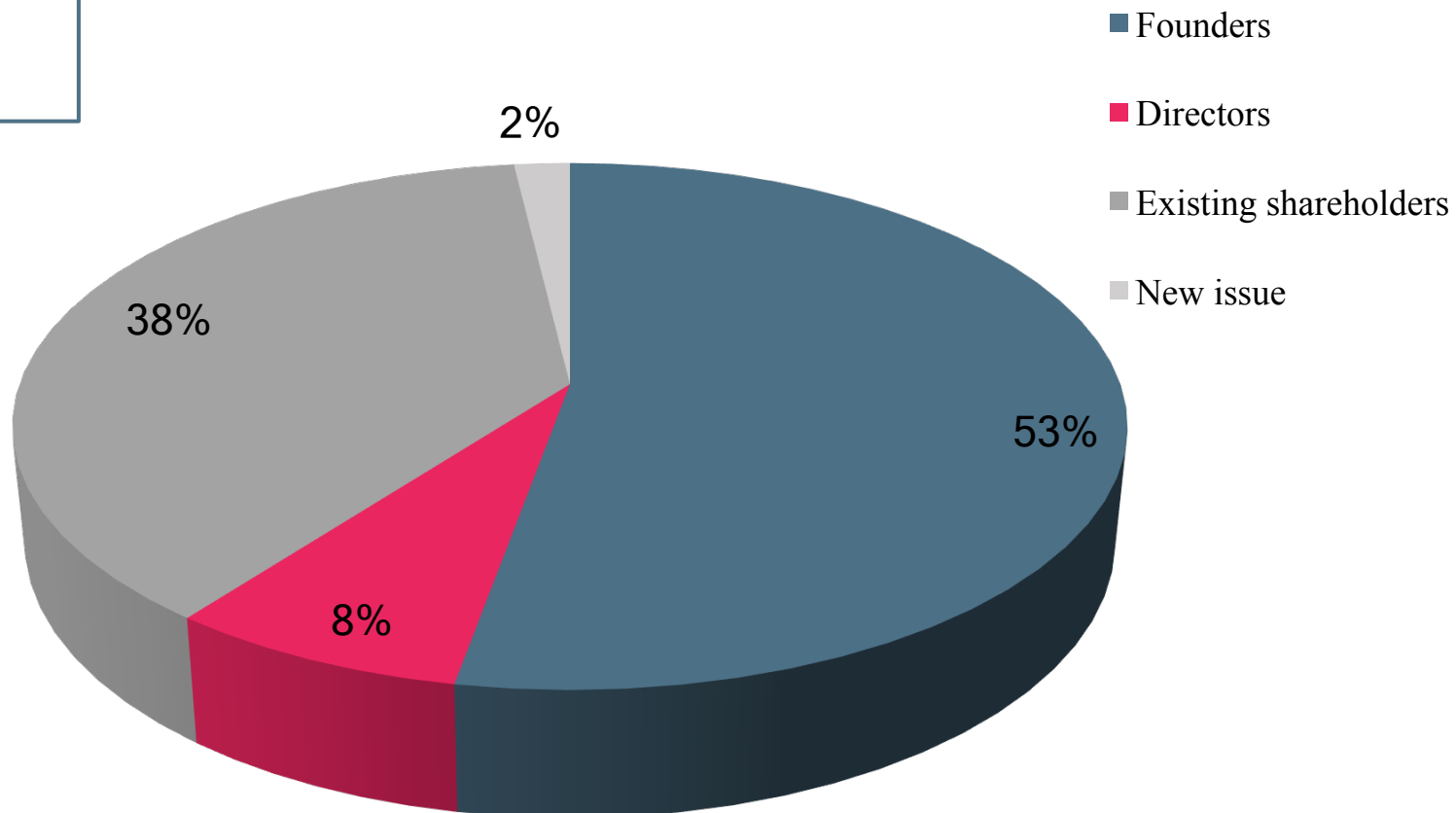
Most EOTs acquire a majority shareholding but not 100%



Sample: 51 survey responses

# Shares were acquired from...

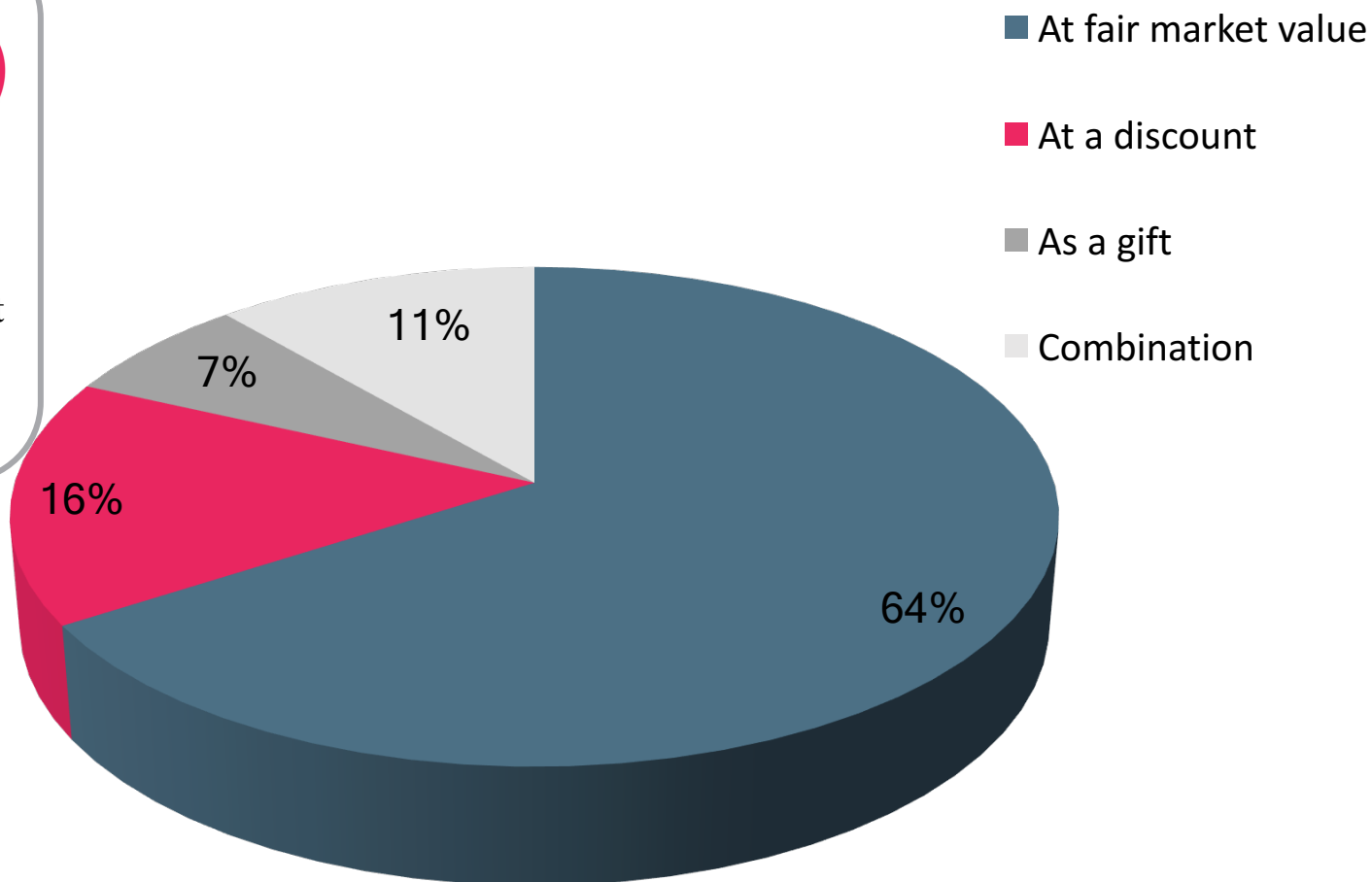
Most new EOTs  
acquired their shares  
from existing  
shareholders



Sample: 51 survey responses

NB: Companies were able to provide multiple answers

# Shares were acquired at...

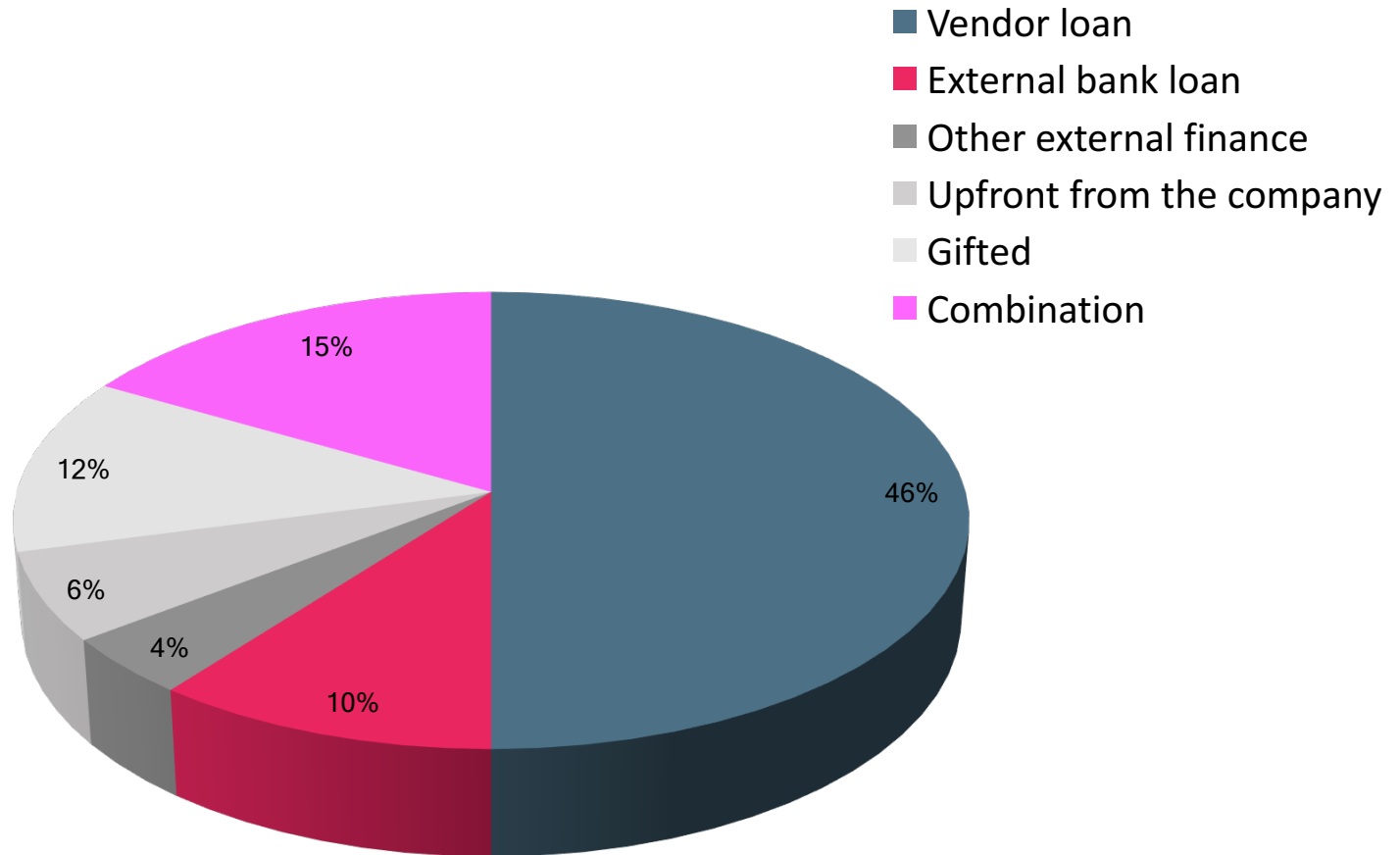


Sample: 51 survey responses

# Financed via...



**46%** of respondents  
financed the transition  
with vendor loans

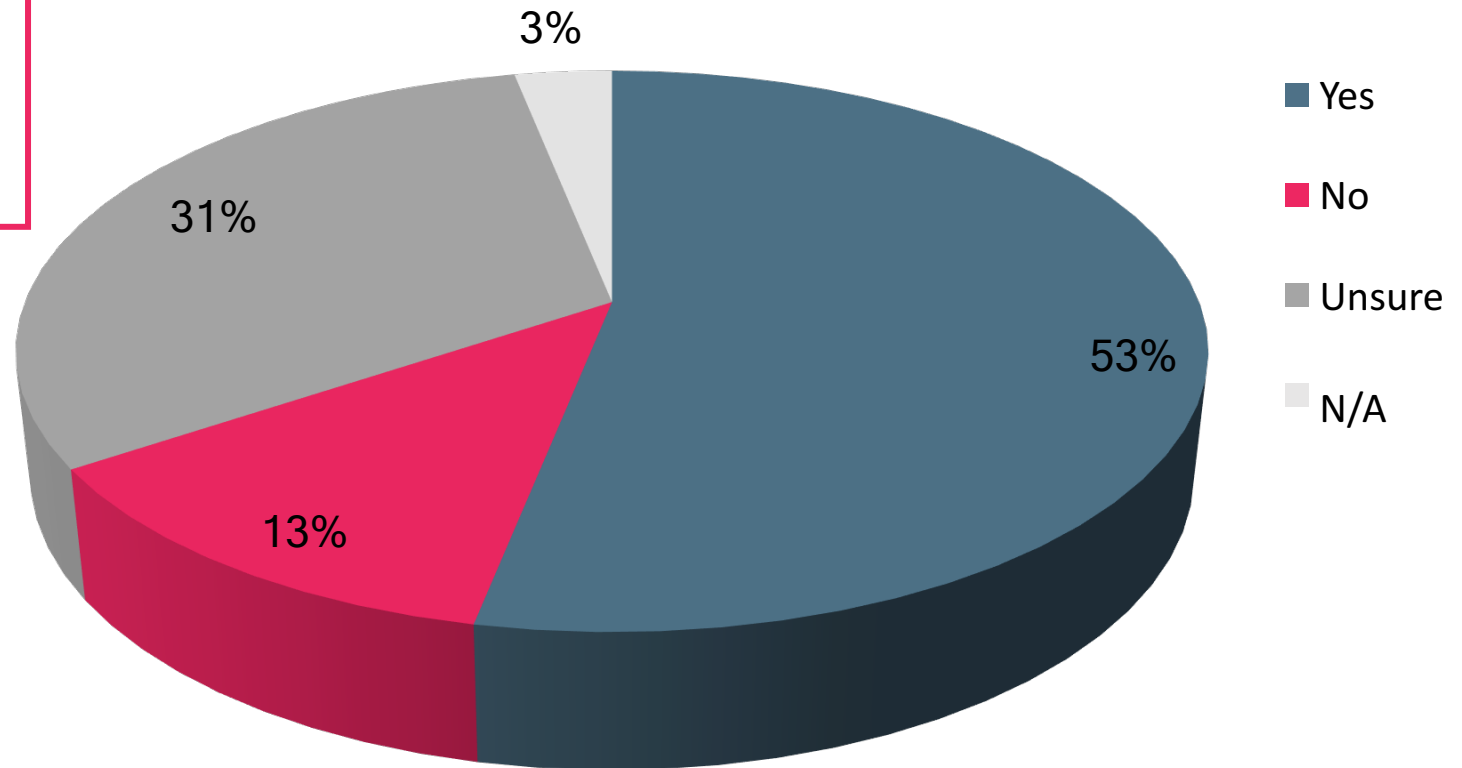


Sample: 51 survey responses

NB: Companies were able to provide multiple answers

# Future plans to increase EOT shareholding?

**53%** of those who could said they had plans to or would consider increasing the EOT's shareholding



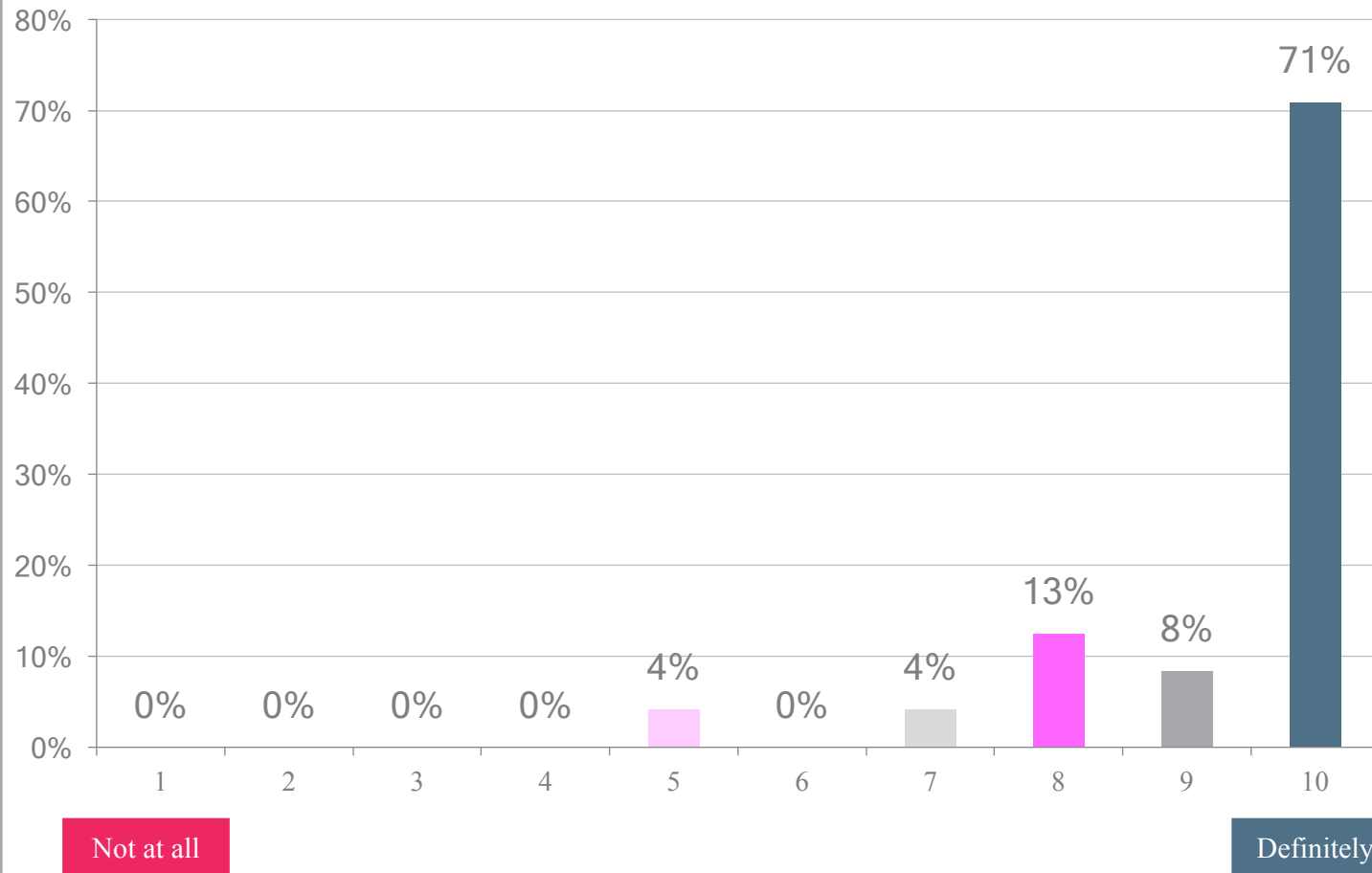
Sample: 51 survey responses



## Transaction details

76%	obtained a TIS clearance from HMRC
89%	have an incorporated EOT trustee
91%	intend to use the tax-free bonus facility
69%	intend to claim CGT relief

# Would you recommend EOT to others?



**96%** of  
respondents felt  
positively about  
recommending  
EOT to other  
businesses

Sample: 51 survey responses

# Room for improvement?

Standardised documentation and processes

IHT relief on vendor loan notes

Time-limited risk of clawback of tax relief from EOT

Relief from “loans to participators” tax charge (needed where there are EOT transactions with external investors)

**eot-survey.co.uk**