



Co-operative Development Scotland

Deep Dive into the EOT

25 October 2023



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Who we are, what we do

Co-operative Development Scotland is a specialist unit within Scottish Enterprise, covering Highlands and Islands and South of Scotland.

Provides expert advice on:

- Co-operatives
- Employee Ownership

What is employee ownership?

Significant ownership by employees

- Trust ownership
- Individual share ownership

Enhanced employee influence

- Employee Council
- Elected employee directors
- Employee Trustees

Employee ownership sector in UK and Scotland

UK

- 1,650 EOBs operating across the UK (as of Oct 2023)
 - 30% growth on previous year
- EOBs are 8% – 12% more productive than non-EOBs (calculated on a Gross Value Added per employee basis.)
- Greater economic contribution
 - EOBs make up just 0.1% of businesses but drive 0.8% of direct GVA and 1.7-2.1% of overall economic activity (reflecting direct, indirect and induced GVA).
- Growth due to success of the EOT
 - 90% of all EOBs became employee-owned after 2014 EOT Legislation

Scotland

- Current estimate is around 230 EOBs operating in Scotland
- Scottish Government aspiration: 500 EOBs by 2030



Examples of Scottish and UK EOBs





Succession Planning and Employee Ownership Support

Up to 3 days funded support:

- Ownership succession review
- Employee ownership feasibility study
 - Report outlining ownership structures, governance systems, engagement mechanisms and funding options.
- Our specialist advisors can also advise around implementation

Employee Ownership Resources

- CDS web pages: <https://www.scottish-enterprise.com/eo>
- Social media videos
 - [Intro](#)
 - [Support](#)
- CDS Blog: <https://cdsblog.co.uk/>
- Podcast series: [The EO Podcast](#)
- Video guide: [Could employee ownership be good for your business?](#)
- Video guide: [How to sell your business to an EOT\)](#)

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Deep Dive into the EOT

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25 October 2023



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For what comes next
tltsolicitors.com



Contents

- Benefits of the EOT
 - Legal requirements
 - Financial aspects
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 - Warranties and Indemnities
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About us

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UK LAW FIRM

We are proud to be named **Law Firm of the Year** at The Lawyer Awards 2021 for our growth, innovation and client delivery in the UK and internationally.



EQUALITY, DIVERSITY,
INCLUSIVITY & WELLBEING

Inclusion is at the core of our strategy and we are committed to delivering sustainable and meaningful change. We encourage everyone to be their whole self and to contribute.

£150_m

TURNOVER

We're one of the fastest growing law firms in the UK, focused on protecting our clients' interests today and progressing their ambitions for tomorrow.



BUILDING A
SUSTAINABLE BUSINESS

We see it as our responsibility to inspire positive and sustainable transformation in our business, working with and learning from our people, our clients and our wider network.

1400₊

EMPLOYEES

We are business advisors as well as lawyers, able to draw on the diverse expertise of over 1400 people based across the UK and our international partners, to find solutions and create new opportunities.



A CULTURE THAT
PRIORITISES PEOPLE

Our people-first culture celebrates progress. We excel by continuing to evolve. We're committed to developing our people to reflect the changing needs of our clients.

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UK OFFICES


With seven offices across the UK across the three jurisdictions of England & Wales, Scotland and Northern Ireland, we have the local, national and international reach to meet the needs of our clients.



CHANGING THE
FUTURE OF LAW

Our FutureLaw team create new products and services built on insight, process and technology to achieve better outcomes for clients, helping their businesses to thrive.

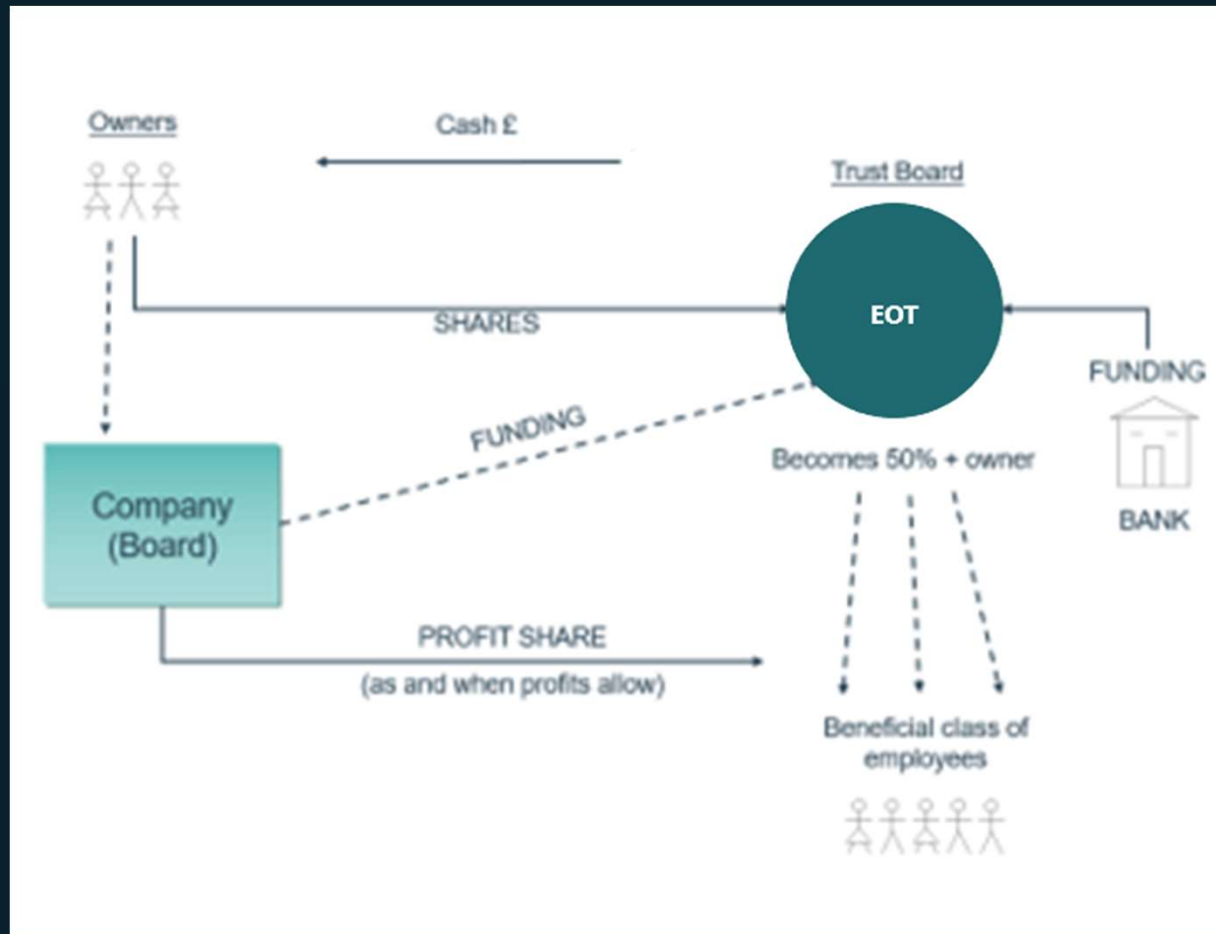
Benefits of the EOT

- EO Knowledge Programme 2023 – “People Powered Growth”
 - *EOBs are 8% – 12% more productive than non-EOBs (calculated on a Gross Value Added per employee basis).*
 - *EOBs are over 50% more likely to have increased investment in Research and Development (R&D) than non-EOBs in the last five years.*
 - *EOBs are over 50% more likely to be expanding their workforce than non-EOBS (64% of EOBs increased employee headcount in the last five years, compared to 41% of non-EOBs).*
 - *EOBs make up just 0.1% of businesses but drive 0.8% of direct GVA and 1.7 - 2.1% of overall economic activity (reflecting direct, indirect and induced GVA).*
 - *The majority of EOBs (57%) reported profits increasing since becoming EO and EOBs are over 25% more likely to have seen profits increase in the last five years than non-EOBS.*
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Benefits of the EOT

- **Benefits for the Company**
 - Better staff engagement
 - Better staff recruitment and retention
 - Happier customers
 - Capped tax-free bonuses for employees
 - **Benefits for Employees**
 - Financial benefits
 - Meaning representation and input
 - **Benefits for Sellers**
 - Potential CGT relief on sale of shares
 - “Friendlier” sale process
 - **Benefits for the local economy**
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Post Acquisition Model



Legal Requirements – Statutory Conditions

- Trading Requirement
 - Controlling Interest Requirement
 - All-employee Benefit Requirement
 - Limited Participation Requirement
 - Related Disposal Requirement
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Financial Aspects

- Vendor Financing
 - Deferred consideration
 - Company contributions
 - Tax clearances
 - Bank Financing
 - Cost of borrowing
 - Security requirements
 - Valuation of the Business
 - Affordability and risk of overvaluing
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Protections

- Board composition
 - Target Company
 - Corporate Trustee
 - Reserved Matters
 - Consent of EOT
 - Consent of selling shareholders
 - Employment contracts
 - Selling shareholder
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Warranties and Indemnities

- Warranties
 - Level of warranty protection
 - “Friendlier” approach
 - Reduced disclosure exercise
 - Indemnities
 - General indemnities
 - Tax covenant
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About the Presenters



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