

The Wales Co-operative Centre

Business Succession Scheme



The Wales Co-operative Centre

- Set-up 1982. Now the largest co-operative Development Agency in UK.
- Supported by ...
 - Welsh Assembly Government.
 - WDA.
 - European Union.
 - ELWa
 - Consultancy fees.
- Develop & train co-operatives throughout Wales.



The Current Climate ...

- **45,000** principal stakeholders seek to withdraw from a UK company each year.
- **70%** of all UK businesses are family-owned.
- **98.8%** of all businesses in Wales are SME's.
- **71%** of the population in Wales are employed in SME's, (57% in UK).
- **63%** of all business turnover in Wales is generated by SME's, (54% in UK).



Advantages of an employee buyout ...

- Continuation of the Business.
- Spreads the risk.
- Greater commitment from employees.
- Avoids destructive trade sale or take-over.
- Gives the owner an agreed exit route.
- Can be done in stages to protect company.
- Installing an EBT can give maximum tax advantages to the company and employees.



Key Issues ...

- Willing vendor/willing buyer.
- Company Valuation - how, when and who?
- Employee Objectives - do they want to own and manage a business?
- Finance.



How can the Wales Co-op Centre help?

- Prepare an initial feasibility study.
- Prepare a business plan for the new company.
- Prepare Briefing Note for the owner at the outset, including her/his tax position.
- Negotiate with owner.
- Liaise with employees.
- Raise Finance.
- Complete all legal documentation.
- Provide continuing advice, support and training to new company.
- Install EBT and AESOP/SIP, EMI (optional 'Inland Revenue' approved schemes).



EOM Ltd. Electrical Contractors

- Purchased from owner in 1996, facing closure.
- 8 employees invested, (on average), £3,000.
- Bank Loan from HSBC.
- Now employs 30 permanent staff and 15 sub-contractors.
- Turnover £1.4 million in 2001.
- Currently installing an EBT and AESOP/SIP.



Tower Colliery Ltd.

- Purchased from Government, December 1994.
- Commenced trading January 1995.
- 250 miners each invested £8,000.
- £1 million borrowed from Barclays Bank.
- Turnover now £26 million.
- Number of employees now risen to 350.
- Recently installed EBT to purchase shares from retiring employees.
- Value of shares has gone from £8,000 to £32,000.



In conclusion ...

- SME survival has huge implications for the population and economic prosperity of Wales.
- All too often owners of SME's don't do anything about business succession *until it is too late*, resulting in the needless closure of a company.
- We need to promote the benefits of employee ownership and its' impact on economic growth, job creation and retention.
- We need your help in raising the awareness of the services available to help address succession issues.



Buyout Method

Trading Company

Trust Company

EBT

AESOP

EMI

