



WRIGLEYS

— SOLICITORS —

Case Study - Wheatlands Aire Valley Engineering Ltd



Background

Wheatlands Aire Valley Engineering Ltd (known as “WAVE”) was a family-owned business, leading in the refrigeration and industrial cooling sector. From its base in Yorkshire, it provides independent and impartial design, project support, technical trouble shooting and consultancy services.

WAVE founder, James Bailey believed that longevity and lasting success for the business could only occur when the very best organisational culture is at the core of the business, and where fairness and equity are its key drivers. For these reasons James chose to move the company to an employee-owned structure when succession planning, to align with WAVE’s 20/20 vision.

James was convinced that employee ownership was the best option to secure a strong future for WAVE, with research by the Employee Ownership Association showing that employee-owned businesses achieve higher productivity, have greater levels of innovation and are more resilient to economic turbulence. WAVE’s resilience and the ability to move to employee ownership during the year in which the Covid-19 pandemic had such an impact on the world is testament to this.

The Process

James, together with his wife Joanne (the Company Secretary of WAVE), were the only shareholders of WAVE. James and Joanne wanted to transfer the majority of their shareholding to an employee benefit trust for the benefit of WAVE's employees, whilst still remaining involved in the company in the immediate future (James has remained on the board as a director of WAVE and Joanne continues her role as Company Secretary).

The first step was to incorporate a new company (WAVE EOT Limited) to act as corporate trustee of the Employee Ownership Trust (an employee benefit trust recognised by statute) which was set up at the same time. Once incorporated the majority of the shares in WAVE were transferred to the Trust by way of a share sale, with a single preference share being issued to James Bailey at the same time. WAVE EOT has three directors, who are the trustees of the Trust, two of whom represent the management of WAVE and the employees, with the third being an independent trustee who led the employee engagement before the sale.

Individual employees do not hold any shares on a personal basis, instead the Employee Ownership Trust holds the controlling interest in WAVE for the benefit of all employees. This guarantees stable ownership and permits rewards to employees by way of bonus in good years. The Trust operates in accordance with principles and guidelines, developed by James and the employees of WAVE as tools for the effective operation of WAVE's business. These reflect how the firm has been managed to date and are intended to ensure it continues to operate in the same way in the future.

James Bailey continues to have a say in how the firm is run through his remaining shareholding in WAVE and by continuing to act as a director of the company.

Financing

The purchase price was paid to James and Joanne Bailey partly in cash and partly by way of deferred consideration. This ensured that the Employee Ownership Trust did not have to pay for all the shares upfront and thus supports the financial health of WAVE moving forward. The intention is that the Employee Ownership Trust will retain the shareholding transferred to it by Mr and Mrs Bailey in perpetuity and not distribute it to individual beneficiaries.

Since WAVE is majority owned by an Employee Ownership Trust, it is able to pay a bonus to employees without employees paying income tax. National Insurance is paid in the usual way.

The Future

The transition to employee ownership means WAVE and its employees can look forward to a secure future in their own hands. Indeed, since making the move to employee ownership WAVE has retained its Investors in People silver accreditation, improving on its previous year's score and ranking first out of 155 small business who operate in and around the construction sector.

Contact Us

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