



# WRIGLEYS

— SOLICITORS —

## Case Study - Albany Engineering Company Limited



### Background

Albany Engineering Company Limited (known as “Albany Pumps”) has been manufacturing pumps for over 100 years. From its base in Gloucestershire, with a smaller factory in West Yorkshire, it designs and manufactures pumps to be exported all over the world, for markets ranging from the food industry to the British armed forces.

The former chairman of Albany Pumps, Martyn Swaffield, explains why he chose to move the company to an employee-owned structure when succession planning: “Albany Pumps was a family owned company with a rich history dating back to 1904. When approaching retirement I chose employee ownership as the best way to secure the company for its loyal workforce and put in place a structure that will ensure it thrives long into the future.”

Martyn was convinced that employee ownership was the best option to secure a strong future for Albany Pumps, 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.

## The Process

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The parent company of Albany Pumps is Albany Engineering Group Limited ("Albany Group"). Martyn Swaffield, together with his wife Anne, were the only shareholders of Albany Group. Martyn and Anne wanted to transfer the majority of their shareholding to an employee benefit trust for the benefit of Albany Pumps' employees, whilst still remaining involved in the company in the immediate future.

The first step was to reclassify the shares of Albany Group, to provide for 'Employee Ordinary Shares', 'Founder Ordinary Shares' and 'Preference Shares'. The Employee Ordinary Shares make up 95% of the share capital of the company, and these were all transferred by the Swaffields to an Employee Ownership Trust (an employee benefit trust recognised by statute). A new company was set up to act as corporate trustee (Albany Pumps Trustees Limited) of this Trust.

Individual employees do not hold any shares on a personal basis; instead the Employee Ownership Trust holds the controlling interest in the parent company 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 Martyn Swaffield as tools for the effective operation of Albany Pumps' 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.

Martyn Swaffield continues to have a say in how the firm is run through his remaining 5% shareholding in Albany Group and by acting as a director of the trustee company and of the parent company.

## Financing

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The purchase price was paid to the Swaffields 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.

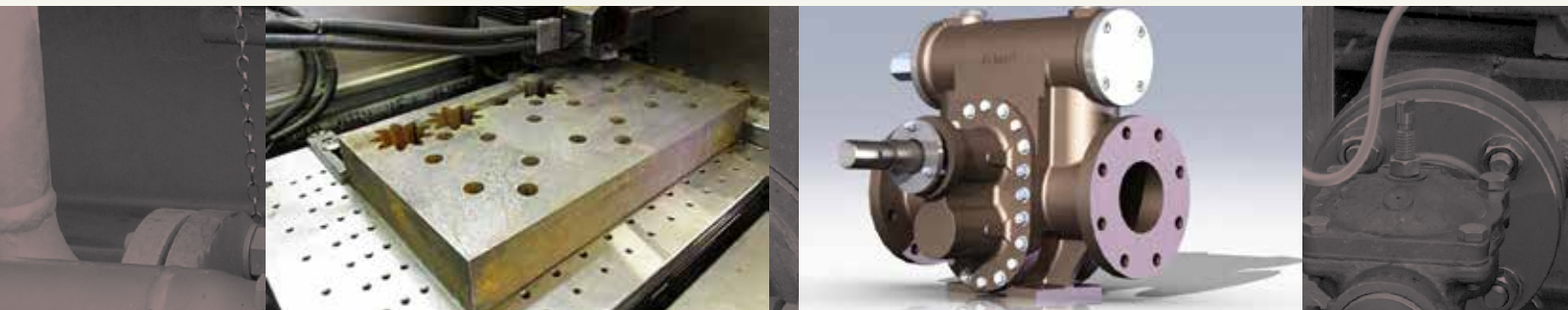
The intention is that the Employee Ownership Trust will retain the shareholding transferred to it by Mr and Mrs Swaffield in perpetuity and not distribute it to individual beneficiaries. Since Albany Engineering Company Limited is majority owned by an Employee Ownership Trust, it is able to pay a bonus to employees without employees paying income tax. National Insurance is paid in the usual way.

## The Future

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The transition to employee ownership means Albany Pumps and its employees can look forward to a secure future in their own hands. The Managing Director, Phil Dykes, explains:

"Employee ownership was right for the family, but also right for the staff. My advice to any business looking at employee ownership is to have a clear implementation plan, a robust finance arrangement and full engagement of the owners from the idea stage, all the way through the transition. The workforce of 10 in Bradford and 60 in Gloucestershire are fully behind the business and will play a key role in turning the idea into a reality."



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