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Case Study - Watson Property Management



Watson.

Background

Watson has been owned by the same family for over two centuries. Its pioneering attitude and culture of adaptability has ensured Watson's success over this period and in 2014, history was made when Watson became the first property managing agent in the UK to transition to employee ownership.

Watson's employees are all treated as partners in the business, integrated into the firm and motivated to deliver the best service possible. Enabling employees to share in the success of the company means that Watson's clients are served by a highly motivated team which delivers the best possible service.

The employee ownership structure provides a guarantee that ownership of the firm will never change hands, and encourages a low turnover of staff. This means that excellent service standards will remain in place long-term, ensuring the firm remains profitable and maintains its strong reputation for many more years to come.

The Process

The parent company of the Watson group is WPM Holdings Limited, which owns all the shares in J.H.Watson Property Management Limited, the main trading company. The sole shareholder of WPM Holdings Limited was Mr John Watson. As part of his succession planning, he wanted to transfer the majority of his shareholding to an employee benefit trust for the benefit of the Group's employees.

In order to achieve this, Wrigleys Solicitors LLP advised Mr Watson to establish an Employee Ownership Trust (an employee benefit trust recognised by statute). A new company was set up to act as corporate trustee (WPM Trustees Limited) and Mr Watson initially transferred 55% of his shares in WPM Holdings Limited to the Trust and subsequently transferred the balance.

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 John Watson as tools for the effective operation of Watson'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.

Mr Watson continues to have a say in how the firm is run by acting as a director of the trustee company and of the parent company.

Simplified structure of the Watson Employee Ownership Trust



Financing

Mr Watson did not wish to see the Trust laden with debt, so he made an initial gift of the majority of his shareholding in the Company to the Trust and subsequently gifted the balance of his shares to the Trust.

The intention is that the Trust will retain the shareholding given to it by Mr Watson in perpetuity and not distribute it to individual beneficiaries of the Trust.

Since J.H.Watson Property Management Limited is majority owned by an Employee Ownership Trust, it is able to pay a bonus to employees of up to £3,600 a year without employees paying income tax. National Insurance is paid in the usual way.



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