

KNOX EOT
A DIVISION OF PERRIN & PARTNERS

Employee Ownership Trusts

Could an EOT be right for my
business?

www.perrinandpartners.co.uk/knoxeot

What is an Employee Ownership Trust?

Employee Ownership Trusts (EOTs) are a UK government-backed solution for business owners for whom a traditional acquisition is either undesirable or unfeasible. Introduced in 2014 through the Finance Act, EOTs are designed to facilitate the transition of business ownership to employees. Under this model, a trust is set up to hold a controlling stake (more than 50%) in a company on behalf of its employees, effectively granting them collective ownership without requiring individual share purchases. With an EOT, you receive the full value of the business from future profits, and you can choose whether or not to stay involved.

The right solution for many small business owners. Small UK business owners are increasingly selling their companies to Employee Ownership Trusts as an attractive alternative to trade sales or private equity buyouts, offering a tax-efficient exit strategy while preserving company culture and safeguarding employee jobs. By the end of last year, there were 1,300 employee-owned businesses in the UK, more than doubling in the past three years.

Why sell to an EOT?

1. Receive full market value for your business in a fair and structured way.
2. Faster and simpler sale process compared to private equity or trade buyers.
3. Preserve your company's culture, values, and independence after your exit.
4. Secure a smooth succession plan, ideal for retirement or stepping back.
5. Retain your existing leadership team and ensure business continuity.
6. Inspire and reward your employees by making them co-owners of the business.
7. Benefit from generous tax incentives:
 - a. Pay 0% Capital Gains Tax on qualifying sales.
 - b. Allow employees to receive tax-free bonuses up to £3,600 per year.
8. Leave a meaningful legacy by supporting long-term stability and ethical ownership.

What are the risks?

It is important to note that the sales price is derived from the future profits of the business following the sale, as well as the cash available at the time of the transaction. This introduces a level of risk; if the business fails to be profitable after the sale, the full sale price may not be received.

The sale is made to a trust established for the benefit of the employees. This trust, rather than the employees themselves, will purchase your shares. The payment for these shares comes from the company's future profits. Once you have been fully reimbursed, the remaining profits are then distributed among the employees.

What makes a Knox EOT better?

Our hands on experience managing businesses after a change of ownership is unique among EOT advisers. Knox EOT is a specialist EOT advisor, backed by Perrin & Partners— a well-established investment firm.

01 Tax-Free Business Sale

We ensure you have HMRC pre-approval for a 100% tax-free sale. This government tax break encourages selling to employees, as it helps retain more sale proceeds.

02 Independence & Continuity

Selling to an Employee Ownership Trust (EOT) maintains the independence of your business. If preserving staff jobs and the future of the company isn't a priority for you, an EOT may not be suitable.

03 Simple & Fast

Selling your business to a Trust requires no due diligence or audits, allowing for a quick sale in as little as one month, typically within two months. Knox specialises in business transitions and can assist in appointing a new Managing Director to facilitate your retirement.

04 Full Sale Price

The sale price is set at the market price, and fully factors in the future growth potential of your business.

We work together to create a forecast so that you can ensure you receive what your business is worth.

Testimonials from our partners.

"Rob and Perrin & Partners are very impressive, genuine and friendly people to be involved with."

Cameron Grant, SecureSeal Systems Ltd

"Selling the business I had built over 10 years was one of the biggest decisions of my life. It was essential to me that the new owner not only valued the company for what it had become but also respected the people who had made it successful. I spoke with several interested parties, but from my first conversation with Rob at Perrin & Partners, it was clear they were different."

I cannot recommend Rob and Perrin & Partners highly enough. Their thoughtful, professional, and human approach turned what could have been a daunting process into an experience I will always look back on positively."

Dale Peters, founder of Bright Affect

"I consider myself fortunate to have been introduced to Rob Hill-Smith at Perrin & Partners. Very soon, I knew that I was talking to someone who shared the same values as myself"

David Harrison, former Chairman SiC

"Our main concerns were the ongoing success of the company and security of the employees. From our first conversation with Perrin and Partners, we were sure we had found the right people. Managing director Rob was a pleasure to deal with, being patient, understanding and accommodating for our needs and that of our company."

Chris and Roger Loxley, Roundhouse Engineering Co. Ltd

FAQs

What is an Employee Ownership Trust (EOT)?

An EOT is a trust that owns a company for its employees, allowing business owners to sell their shares while ensuring the company remains independent and benefits the team that helped build it.

Are there any risks or disadvantages to selling to an EOT?

Selling to an EOT isn't ideal for everyone. Payment is made over time from company profits, so your final payout relies on the business's continued success, typically taking four to seven years.

What's the tax advantage of selling to an EOT?

If structured correctly, selling to an EOT can be entirely exempt from Capital Gains Tax, allowing you to receive all proceeds tax-free.

Will I still have control after the sale?

The EOT becomes the majority owner, but day-to-day control usually stays with the company's board. If you continue as a director or adviser, you can still influence key decisions during the transition.

Do I need to step away immediately after selling to an EOT?

Not necessarily. Many founders remain involved as directors or advisers, allowing you to customise your role based on your goals and the business's needs.

What's in it for the employees?

The Employee Ownership Trust (EOT) will own the company on behalf of the employees. As owners, they will receive their share of dividends. Furthermore, the first £3,600 they receive will be free of income tax. Initially, it is common for the majority of profits to go to the former owner as part of the sale price, but once the former owner is paid in full, profits are shared with all employees (in proportion to either their remuneration, length of service, or hours worked).

Do employees need to contribute any of their own money?

No, employees are not required to invest any of their own money. The trust buys the company on their behalf, and the purchase price is typically funded by the company itself over time. There is no personal financial risk for staff.

What happens if employees leave the business?

The trust structure is designed for the benefit of current employees. If someone leaves, they no longer benefit from the EOT –there's no need to buy them out or unwind anything. New employees automatically become beneficiaries once they meet the eligibility criteria (normally after they have been at the company for 12 months).

Your business could be sold in two months

Step one

Appoint an EOT adviser

Step two

We work together to create a forecast for the next few years

Week one

Step three

We share our independent valuation with you

Week two

Step four

HMRC Pre-approval

Week two-seven

Step five

Sign trust documents & complete sale

Who we are

Perrin & Partners is a holding company backed by 33 private investors that focuses on acquiring established, profitable, and independent small businesses in the UK. Our goal is to ensure minimal disruption while providing these businesses with a stable and permanent home.

Knox EOT operates as a division of Perrin & Partners, helping you to sell your business to your employees through an Employee Ownership Trust. Unlike other EOT providers we have hands on experience managing businesses, and management succession. Our goal is to make it easier for you to sell to your employees.

Selling your business to your employees isn't perfect, but if you care about what happens to your employees and your business after sale, and you don't like paying lots of unnecessary tax, it could be a good fit for you.

We look forward to hearing from you,

Robert Hill-Smith
Managing Director, Perrin & Partners

Our people



Rob Hill-Smith
Managing Director, Perrin & Partners

Rob is a Chartered Accountant of Scotland. Previously, he worked in a French investment fund and before that, was an auditor with EY.



Matt Derry
Director, Knox EOT

Matt was previously a Financial Adviser at M&G Wealth. Before that, he served as a Consultant at Conigital Group and Amey.



Alex Hill-Smith
Non-Executive Chairman, Perrin & Partners

Alex is a barrister and recorder. He graduated with an MA/LLB from the University of Cambridge and was called to the bar in 1978.

KNOX EOT

Contact us if you think
an EOT could be the
right solution for you.

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We look forward to hearing from you.