

CASE STUDY

Loch Fyne Oysters

Main business:

seafood, meat and game

Annual turnover:

£11 million

Number of employees:

150

Web address:

www.lochfyne.com

Loch Fyne Oysters' co-owned status owes much to the wishes of one of its original co-founders to keep the "slates on the roof of his house", according to current chairman, Bob Craig.

Johnny Noble was already exploring how to realise his share in the oyster and shellfish business he established at Clachan, Cairndow, on the west coast of Scotland when he died in 2002. Noble's sudden death prompted the other founder, Andy Lane, to consider how best to finance the organisation going forward, and a prospectus for sale was prepared.

Buyers were interested, but Lane was uneasy about the future prospects for the company under new ownership. "Chance then played its part", according to Bob Craig – Andy Lane read an article about the Baxi Partnership, which was starting to fund employee buy-outs, and saw how this route could provide a way of paying Noble's estate his share of the business without selling the company.

Loch Fyne Oysters now has a worldwide reputation as a producer and retailer of high-quality meat, shellfish and game, and supplies some of the world's most exclusive restaurants and hotels. The co-owned company employs 150 staff in an oyster bar and shop, mail order service, smokehouse and on the oyster and mussel farm at the head of Loch Fyne.

Loch Fyne Oysters was the third co-owned company that the Baxi Partnership helped, making a loan to the company of £2 million. A bank loan of £1.1 million was also taken to fund a Share Incentive Plan (SIP) and employee ownership started in 2003. The founders' shares were bought at the full market rate, and the purchase price for the company met the best other offers, "so was felt to be fair to the existing shareholders", according to Bob Craig, chairman. Craig adds that by March 2008, the company had fully repaid the £1.1 million bank loan and two out of 10 annual instalments to the Baxi Partnership.

Half of the shares are in an Employee Benefit Trust, administered by a 2-person trustee board. The remaining half is split into two parts:

- eight to ten managers hold some shares or options arising out of previous employee share ownership schemes; and
- the bank loan is held in a SIP, administered by three director-appointed trustees.

Employees can acquire shares in three ways:

- free shares distributed by the SIP each year, depending on profits;
- employees can buy additional shares through a saving scheme (on which the SIP awards matching shares); and
- can take dividend shares (Loch Fyne Oysters paid its first dividend in 2006).

Greater involvement means people start to get more interested in the long-term future of the business, and ask questions about its direction. “We did get an uplift in employee interest on the back of paying our first dividend in 2006 – the reality is that people are comfortable with the philosophy of employee ownership, but also want the tangible benefits”, says the company’s managing director, Bruce Davidson.

Loch Fyne is starting to edge towards being a preferred employer in the local area, and Davidson believes employee ownership plays its part, through a combination of philosophy and tangible reward – “it’s an attractive recruitment tool when word gets out that a dividend is paid”, he adds.

In 2007, Loch Fyne won the award for Best Company in the Highlands and Islands of Scotland.

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