

About Co-operative & Community Finance

Co-operative & Community Finance (C&CF) has been providing loan finance for co-operatives, employee owned businesses and social enterprises for over 36 years.

We raise money primarily by public share issue, and we lend it for social purpose and collective benefit. We also manage loan funds for several other organisations providing co-operative and community finance. Through ICOF, our holding company, we are authorised and regulated by the Financial Services Authority (FSA) in the conduct of investment business.



CO-OPERATIVE & COMMUNITY FINANCE

the lender for social purpose



The new employee-owners of West Highland Free Press

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Working together for employee ownership

Co-operative & Community Finance is working with Baxi Partnership to finance the conversion of successful businesses to employee ownership. The first two employee buyouts to be co-financed were completed in November and December 2009, and another one is imminent.

The two employee-owned enterprises are both based in Scotland but they could hardly be more different. West Highland Free Press, firmly rooted in the local community, has been publishing a weekly newspaper for 37 years. By contrast, Clansman Dynamics, established in 1994, designs and builds robotic handling equipment which is used in forges and foundries all over the world.

There is, however, one important similarity. In both cases the original owners wanted to ensure the ongoing success of the enterprises by transferring ownership to the employees who had helped to build the businesses. (There's more information about West Highland Free Press and Clansman Dynamics on pages 3 and 4 of this newsletter.)

The employee buyouts were made possible by the personal investment of the employees topped up by loans from two of the funds managed by Co-operative & Community Finance (ICO Fund plc and the Co-operative Loan Fund) and from Baxi Partnership's £20m trust fund.

Ian Taylor of Co-operative & Community Finance said: "We

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Time is right for employee ownership

On 15 December 2009 the government announced the establishment of an independent commission to investigate options for the mutual and/or employee ownership of public service delivery. This news coming at the end of the busiest ever year for Baxi Partnership leads managing director John Alexander to believe that the time is right for a big increase in employee ownership.

Baxi Partnership is a unique one-stop-shop providing research, consultancy, training and finance for owners and staff wanting to transfer to employee ownership. Baxi Partnership began in 1983 when Philip Baxendale and his cousin sold their boiler manufacturing company to the employees for about one tenth of its market value. In 1999 the company sold its manufacturing operations and £20m was left which has allowed Baxi Partnership to continue to support employee ownership.

"For most of the decade we completed an average of one employee buyout a year," said John Alexander, "but in 2009 we helped to bring five into employee ownership and there's another four about to complete."

The increase is partly due to a change in the way Baxi Partnership works, but mostly, John



Alexander believes, it is the result of a sea change in attitudes to business ownership.

"Part of our strategy is to increase the amount of capital available for employee buyouts which is why we are very happy to be building a fruitful relationship with Co-operative & Community Finance," he said.

"There's been a big change in the business succession market since the economic meltdown. Five years ago it was barren ground for employee ownership and now it's exceptionally fertile. We have business owners coming to us who want the values to continue after they sell up, and we even have legal advisers suggesting employee ownership as an option."

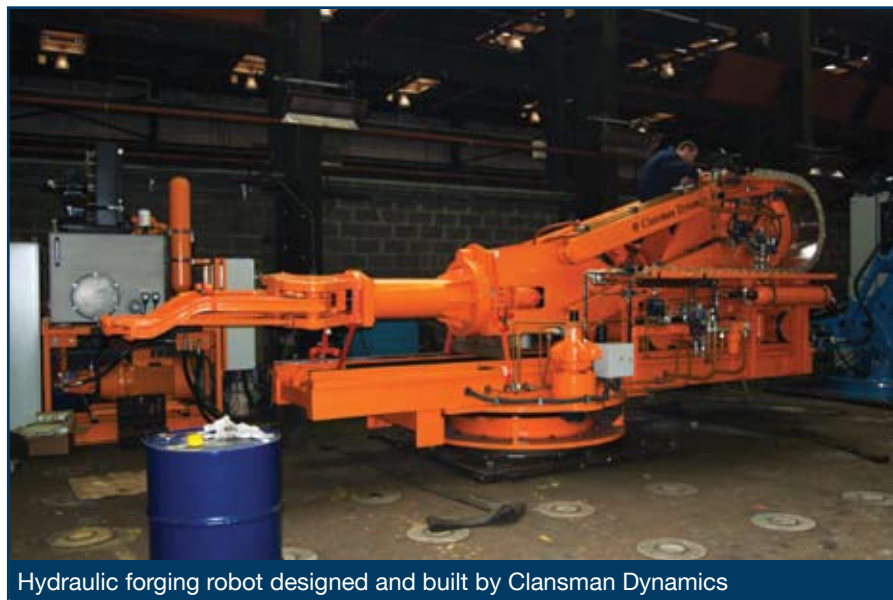
John Alexander is cautiously optimistic about the new independent commission on ownership. "There's been a history of cross-party support for employee ownership and I think this would continue after a change of government. All parties are looking for a more effective way of delivering public services without lowering standards.

"Anyone who looks objectively at the ownership of enterprises will come to the conclusion that the work force needs to be actively involved. For too long the country has been driven by short-term decisions. Now it's time for the long-term view."

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have been delighted to work with Baxi Partnership on these two conversions to employee ownership, and we look forward to more co-operation in the future.

"Employee ownership generally increases the motivation and job satisfaction of staff and in these two specific instances has ensured that the goodwill and wealth generated by these successful businesses remains in the local communities."



Hydraulic forging robot designed and built by Clansman Dynamics

New ownership is headline news

West Highland Free Press has become the UK's first employee-owned newspaper. Loans and business support from Co-operative & Community Finance and Baxi Partnership have helped the 10 employees ensure that the paper continues to remain independent and rooted in the community.

in the newspaper. Rather than selling the business on the open market, they approached the employees of West Highland Free Press to see whether they would be interested in buying the company's shares.

Brian Wilson, the founding editor and still an active contributor to the paper, said:

paper succeed will enable it to move from strength to strength, as reporter Michael Russell explains: "Up to now we have been doing the job for someone else and while the day-to-day tasks may not change, employee ownership will change how we look at work as we will be working for ourselves. It is now in our hands how successful the paper becomes and that is daunting but a great opportunity that we are all excited about."



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Ian Taylor of Co-operative & Community Finance said: "For this company, employee ownership was the only business model that would enable the paper to continue running at the centre of its community and ensure all members of staff job security.

"The newspaper is an important aspect to the local community, both socially and economically, and with the move to employee ownership, we believe that West Highland Free Press will continue to run as an independent paper for many years to come."

www.whfp.co.uk

The paper was founded by five friends in 1972 as a left-wing weekly newspaper, but with the principal objective of providing its immediate circulation area with the service that a local paper is expected to provide.

West Highland Free Press also produces The Visitor, which is a magazine, CD and online guide to the local area, including places to visit, stay and eat.

As the original partners began to pursue new interests and commitments, they felt the time had come to sell their shares

"This was the right thing to do and the right time to do it. We wanted the paper to remain independent while offering a great opportunity to the employees who have served it loyally. I am sure that the Free Press will continue to flourish on the basis of quality journalism, service to the community and sound commercial management."

Staff at West Highland Free Press are excited about the buyout and believe that their vested interest in seeing the

Employees buy Scottish robot maker

One of Scotland's world-leading design and technology companies has been bought by its 30 employees. Clansman Dynamics, based in East Kilbride, designs and builds robotic handling equipment which is used in forges and foundries in 34 different countries.

In just 15 years Clansman Dynamics has become one of the top three companies in the world working in its highly specialised field. In the last three years its annual turnover has increased from £3m to £4.5m to £6.2m, and Clansman Dynamics is now the number one supplier of robotic foundry equipment to China.

The transfer to employee ownership has the full and enthusiastic backing of the original owner Dick Philbrick, who did not want the business to be bought by a rival. He wanted to ensure the ongoing success of the enterprise by transferring ownership to the employees who had helped to build the business.

This was made possible by the personal investment of the employees topped up by loans from two funds managed by Co-operative & Community Finance (The Co-operative Loan Fund and ICO Fund plc) and from Baxi Partnership.

"There is no such thing as a typical employee buyout - any kind of business can be owned and managed by its workforce."

Commercial director Jim McManus is confident that all the loans will be repaid within five years. "I don't like to call this a buyout because usually that happens when a business is struggling," said Jim.

"Clansman Dynamics is a highly successful business on a steep growth curve. We're not only gaining new markets; our business in service and spares to existing customers is also increasing. If we are doing this well in a recession, we'll take off when the international economy picks up.

1.8 tonne capacity robot for use in aluminium smelter



"For a long time Dick [Philbrick – the former owner] has been the figurehead and driving force of Clansman, and he will remain involved," said Jim McManus. "Now we are restructuring and the new directors are coming through. We've got some very talented young men here and now they realise that the company is theirs they are very keen to push ahead."

Ian Taylor of Co-operative & Community Finance said: "We are very pleased to have helped a technology-led business with such a good international reputation to become employee-owned.

"This demonstrates that there is no such thing as a typical employee buyout - any kind of business can be owned and managed by its workforce."

www.clansmandynamics.com

Community enterprise unit expands

CEU Ltd (Community Enterprise Unit), an Exeter-based workers' co-operative, is using a loan from Co-operative & Community Finance to support its expansion plans and help the organisation meet its long-term aims.

CEU was formed over 13 years ago as a small project to develop co-operatives and social enterprises in rural Devon. When the funding for the project ended, directors Helen Vines and Debbie Stewart established CEU Ltd in 1998 as a workers' co-operative and slowly grew the business, with help from their other team members. CEU now employs eight members of staff and currently offers five key services: social enterprise business development, social accounting, project management, training & facilitation and research.

Due to increased demand, CEU moved into a new, larger office in the centre of Exeter in July 2009 and this has enabled it to increase the service it provides. The new premises offer an in-house training facility and a 'Fairspace' meeting room from which it runs a range of training courses for social and community enterprises. CEU is also hiring this space out to others to create a new facility for the community and an extra income stream for the co-operative. The loan from Co-operative & Community Finance has helped CEU with the transition costs of the move, and has been used to employ two new members of staff to meet the increase in demand for their services.

Speaking about the loan, Lorna Turner, one of the directors at CEU Ltd said: "The loan from Co-operative & Community Finance has supported our expansion plans and has enabled us to carry out our mission more effectively. We have been able to employ additional members of staff and develop a new marketing plan which will help to secure the long-term future of CEU."

Ian Rothwell of Co-operative & Community Finance said: "We are delighted to offer a loan to CEU, as it is a worker co-op with strong ethical values. The services CEU provides are outstanding and this is shown by its loyal customer base and excellent reputation. The loan will allow CEU to expand and build a strong capital base and we are pleased to be investing in such a worthwhile co-operative."



"The services CEU provides are outstanding and this is shown by its loyal customer base"

Hot topic in The Archers

Ambridge, home to the world's longest running radio soap-opera The Archers, has become the latest village to take its shop into community ownership. Fighting the decline in village shops in recent years, residents of BBC Radio 4's The Archers, recently held a parish council meeting at which it was decided that community ownership of the village shop would be the best way forward.

It is hoped that this latest storyline will encourage more villages to join the 227 in the UK that have already opted for community ownership of their shops. In the last year 35 new community-owned shops opened in England; Kirdford village shop and Little Milton village shop being two of the latest to receive funding from Co-operative & Community Finance, showing that the community-owned model may be able to beat the recession.

Co-operative & Community Finance has been working alongside the Plunkett Foundation and Esmée Fairbairn Foundation as part of the Village CORE Programme for a number of years. The programme supports local communities by offering a package of loans, grants and business advice to small rural communities wanting to invest in their local village shops.

New opportunities for co-op development

"We are witnessing a huge increase in interest about co-operatives and community ownership," says our vice chair Jo White. "2010 will be a year of opportunity for the co-operative movement."



support across much of southern England, often in partnership with other co-operative support organisations.

"The economic crisis has had a huge impact on ICOF [as she

Jo White is executive director of the specialist business support agency Co-operative Futures which in the last 12 months has registered twice as many new co-operative enterprises than in any year since it started. The agency is currently working with 30 new and pre-start enterprises.

"We are dealing with many people who are excited about setting up ventures that are driven by values and principles," says Jo. "This presents a big opportunity for the co-op movement."

"ICOF is special. It plays a unique and time-honoured role in co-operative development."

Co-operative Futures, based in Gloucester, was set up in 2000 by the then Oxford Swindon and Gloucester Co-operative to provide co-operative development in that area. Since then it has extended its range and now provides specialist

calls Co-operative & Community Finance]. The drop in interest rates has been very difficult for us. But there are also new opportunities. People are looking for different ways of accessing finance, especially since mainstream providers appear to be making it more difficult."

Jo White has been a trustee of Co-operative & Community Finance since 2003 (and she was appointed vice chair in 2007). She is also on the board of Co-operatives UK and chair of Co-operatives South East.

"I think ICOF is special. It plays a unique and time-honoured role in co-operative development," says Jo. "I am honoured to be a trustee and I feel I am being a custodian for the whole co-operative movement."

I think 2010 is going to be an exciting and challenging year for co-operators. There are opportunities but they are not being handed to us on a plate. We are going to have to be very direct about why we think co-operatives are better. We are co-ops and we wear it with pride."

Get in touch

If you need accessible, ethical finance to make your enterprising goals a reality, contact Co-operative & Community Finance and find out if we can help.

For over 36 years we have been providing sympathetic loan finance to new and existing co-operatives, community businesses, development trusts and enterprises developed from the charitable and voluntary sector.

Our rates are competitive, unlike many high street lenders we don't require personal guarantees, and our profits are reinvested to enable us to continue our work.

Call us on:
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