



**EQUITY  
INCENTIVES  
LIMITED**

## Case study: Fulcrum Research Limited

# Fulcrum Research Ltd

Fulcrum Research Ltd (Fulcrum) is the UK's leading independent shareholder analysis and Investor Relations Support company. Founded in 1986 to offer share register analysis to UK public companies, Fulcrum now delivers a wide range of Investor Relation related research and consultancy services to companies and their advisers both in the UK and internationally.

Fulcrum already had in place an Employee Benefit Trust which held a small number of shares, with the vast majority of the share capital held by the two founders, while the managing director also held a small proportion of the share capital.

## Objectives

The directors of the company had always been interested in the concept of employee share ownership and had a number of objectives in mind when considering the introduction of a share plan:

- to reward their employees by allowing them to become direct shareholders in the company, preferably by giving them shares.
- to retain employees in the company via their shareholding.
- to allow a degree of flexibility by rewarding the managing director over and above the other key employees.
- to distribute some of the shares already held by the EBT.
- to use the EBT as an internal marketplace for employee shareholders.
- to ensure that any plan was easily communicated to employees.
- to achieve these objectives in as tax-efficient manner as possible.

# Introduction of EMI

The directors of Fulcrum chose to implement an Enterprise Management Incentives (EMI) share option arrangement for the following reasons:

- the discretionary nature of EMI permitted the directors to select participants.
- options can be granted under EMI over shares up to the value of £100,000 at date of grant, giving the opportunity to provide employees, and the managing director, with rewards of real value.
- options under EMI can be granted at a discount or even at nil cost which allowed the directors to achieve their goal of eventually giving shares to employees.
- EMI permitted tax efficient exercise of the options within a shorter period than would have been the case under an approved company share option plan, so that employees could become direct shareholders within, in this case, 18 months of grant.

## Principal Steps

- Establish that Fulcrum Research qualified for EMI:
  - gross assets of less than £15m (the relevant limit at the time of the introduction of the plan).
  - company is a trading company which carries out a qualifying trade.
- Ascertain which employees will participate in the EMI:
  - must be full-time or work for at least 75% of their working time in the company.
  - must own less than 30% of the company.
- Take into account specific requirements which can be met by the flexible EMI arrangement:

- if employees leave for reasons of death, redundancy or retirement, their options may become exercisable immediately, but this will be at the discretion of the directors.
  - the shares to be used will have voting rights and will pay dividends.
  - there will be no performance conditions, but employees will be required to work for Fulcrum for at least 1 year before being invited to participate.
- amend Articles of Association with particular reference to the workings of an internal market.
  - liaise with Inland Revenue to obtain share valuation.
  - communication of EMI to employees.
  - produce EMI agreements for each participating employee.
  - notify Inland Revenue Small Companies Enterprise Centre within 92 days of grant of options.

## Conclusion

Christopher Hird, Director of Fulcrum Research Ltd, said: "We wanted a scheme which was both flexible enough for the particular needs of our company and robust enough to cope with the what we hope will be our growth as a broadly owned employee business. The advice we got from Equity Incentives showed an immediate grasp of what we were after, steered us away from more expensive alternatives and gave a concise summary of the advantages of the EMI route. The first issue of shares under the EMI was well received by the staff, but we know this is only a first step in achieving our ultimate objective of a company owned and controlled by those who work in it."

## Who are we?

Equity Incentives has substantial experience in all aspects of employee benefits, including equity incentives. The Managing Director, Graeme Nuttall, is a member of the HM Treasury advisory group which helps the Inland Revenue introduce new share schemes including EMI and SIP. Through membership of the **Global reward plan group** we implement international share schemes.

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A list of the names of the directors and their professional qualifications is open to inspection at the registered office.