

THE COMPANIES ACT 1985  
COMPANY LIMITED BY SHARES

Memorandum and Articles of Association

of

A Template Social Firm Share Community Interest Company

The Companies Act 1985  
COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION OF  
**THE TEMPLATE SOCIAL FIRM SHARE COMMUNITY INTEREST COMPANY**

1. COMMUNITY INTEREST COMPANY

The Company is to be a community interest company.

2. NAME

The Company's name is '**The Template Social Firm Share Community Interest Company**'.

3. REGISTERED OFFICE

The Company's registered office will be in **England**.

4. OBJECTS

The Company's objects are to carry on activities which benefit the community and in particular (without limitation):

- A.** To [REDACTED]
- B.** To promote and provide for the public benefit volunteering, training, work experience and employment opportunities to unemployed people with disabilities or other severe disadvantage in finding employment.
- C.** To advance the education of the public with particular reference to Social Firms for people with disabilities or other severe disadvantage in finding employment, and the benefits they provide to the public and to their workers.
- D.** To promote and improve for the public benefit the economic and social well-being of people living and working in areas where the Company operates.
- E.** To protect and conserve the environment and advance the education of the public with particular reference to the protection of the environment.

5. POWERS

The Company has the power to do anything which is incidental or conducive to the furtherance of its objects.

6. LIMITED LIABILITY

The liability of the Members is limited.

7. SHARE CAPITAL

The Company's share capital is £1,000,500 divided into 500 voting non-dividend shares (Stewardship Shares) of £1 each and 1,000,000 non-voting capped-dividend shares (Investment Shares) of £1 each.

*We, the subscribers to this Memorandum, wish to form a Company pursuant to this Memorandum;  
and we agree to take the number of shares shown opposite our respective names.*

NAMES, SIGNATURES & ADDRESSES OF SUBSCRIBERS:

Name	Address	Number of shares taken: <input type="text"/>
Signature		

Name	Address	Number of shares taken: <input type="text"/>
Signature		

Total number of shares taken:

Dated this ..... day of ..... 200 .....

WITNESS TO THE ABOVE SIGNATURES:

Name	Address
Signature	



The Companies Act 1985  
COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION OF  
THE TEMPLATE SOCIAL FIRM SHARE COMMUNITY INTEREST COMPANY

TABLE OF CONTENTS

Part One: Definitions and Interpretation	
Definitions	Article 1
Interpretation	2
Table A	3
Part Two: Asset Lock	
Transfer of assets	4
Part Three: Directors' Functions	
Directors' general authority to manage the Company	5
Limits on Directors' functions	6
Directors' general authority to delegate functions	7
Committees of Directors	8
Part Four: Decision-making by Directors	
Scope of rules	9
Directors to take decisions collectively	10
Unanimous decisions	11
Majority decisions	12
Meetings of Directors	13
Conflicts of interest	14
Records to be kept	15
Specified number of Directors for majority decisions	16
Chairing of majority decision making processes	17
Directors' discretion to make further rules	18
Defect in appointment	19
Part Five: Directors' Appointment and Terms of Service	
Composition of the Board of Directors	20
Eligibility to be a Director	21
Methods of appointing Directors	22
Retirement of Directors and election at annual general meeting	23
Termination of Directors' appointment	24
Directors' remuneration and other terms of service	25
Directors' expenses	26

Part Six: Shares	
Classes of shares	27
Stewardship Shares	28
Investment Shares	29
Share certificates	30
Transfer of Shares	31
Transmission of Shares	32
Purchase of own shares	33
Alteration of capital	34
Part Seven: Dividends	
Procedure for declaring dividends	35
Payment of dividends	36
Right to dividend forfeited if unclaimed for twelve years	37
Part Eight: General Meetings	
Annual general meeting	38
Other general meetings	39
Notice	40
Quorum	41
Conduct of business – general	42
Voting procedures	43
Minutes	44
Part Nine: Miscellaneous	
Company Secretary	45
Company seal	46
Accounts, reports and social audit	47
Notices	48
Equal opportunities	49
Indemnity	50

## PART ONE: DEFINITIONS AND INTERPRETATION

### 1. DEFINITIONS

In these Articles the following terms shall have the following meanings.

“1985 Act”	the Companies Act 1985, including any statutory modification or re-enactment thereof for the time being in force and any provisions of the Companies Act 2006 for the time being in force
“2004 Act”	the Companies (Audit, Investigations and Community Enterprise) Act 2004
“address”	in relation to electronic communications, includes any number or address used for the purposes of such communications
“Articles”	the Company’s Articles of Association

“Asset Locked Body”	a community interest company, Charity or Scottish Charity or a body established outside Great Britain that is equivalent to any of those persons
“beneficiaries”	employees of the Company (as defined below) or other people with disabilities or other severe disadvantage in finding employment; also the parents or other relatives providing care at home for such people, or any other advocate or representative organisation appointed by them and acting on their behalf; or any other public or voluntary sector bodies actively providing support for people with disabilities or other severe disadvantage in finding employment
“Chair”	the meaning given in article <a href="#">17</a>
“Charity”	(except in the phrase, “Scottish Charity”) the meaning given by Section 96 of the Charities Act 1993
“clear days”	in relation to the period of a notice, that period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect
“Company”	<i>The Template Social Firm Share Community Interest Company</i>
“Director”	a Director of the Company, including any person occupying the position of Director, by whatever name called
“Directors’ functions”	the meaning given in article <a href="#">5.1</a>
“electronic communication”	the meaning given in the Electronic Communications Act 2000
“employees”	persons holding a contract of employment with the Company or seconded to the Company by another organisation, or persons who have been supporting the Company through unpaid voluntary work or as part of a training programme for at least one year
“holder”	in relation to any shares, the Member whose name is entered in the Company’s register of members as the holder of those shares
“in writing”	written printed or transmitted writing including by electronic communication
“majority decision”	the meaning given in article <a href="#">12</a>
“Members”	the members of the Company as defined in the 1985 Act
“Memorandum”	the Company’s Memorandum of Association
“Regulations”	the Community Interest Company Regulations 2005
“Regulator”	the Regulator of Community Interest Companies
“relevant quorum”	the meaning given in article <a href="#">16.1</a>
“remuneration”	any reasonable payment or benefit received, or to be received, by a Director or employee of the Company in consideration for that Director’s or employee’s services to the Company, and any arrangement in connection with the payment of a pension, allowance or gratuity to or in respect of any person who is to be, is, or has been a Director or employee of the Company or any of its predecessors in business

“Scottish Charity”	the meaning given in section 1(7) of the Law Reform (Miscellaneous Provisions) Scotland Act 1990
“Secretary”	the individual (if any) appointed as Company Secretary under article 45 or any other person appointed to perform the duties of the secretary of the company, including a joint, assistant or deputy secretary
“shares”	shares in the Company
“Stakeholder Advisory Group”	an advisory group of people appointed by the Directors from amongst beneficiaries of the Company (as previously defined)
“subsidiary”	the meaning given in section 736 of the Companies Act 1985
“unanimous decision”	the meaning given in article 11

## 2. INTERPRETATION

**2.1** Unless the context requires otherwise, words or expressions defined in:

- (a) the 1985 Act,
- (b) the 2004 Act, or
- (c) the Regulations,

have the same meaning in the Articles.

**2.2** Without prejudice to the generality of article 2.1:

- (a) “community” is to be construed in accordance with section 35 of the 2004 Act and Part 2 of the Regulations;
- (b) “financial year” has the meaning given in section 223 of the 1985 Act; and
- (c) “transfer” includes every description of disposition, payment, release or distribution and the creation or extinction of an estate or interest in, or right over, any property, or, in Scotland, a right, title or interest in or over any property.

**2.3** Unless the context requires otherwise, all references to legislative provisions are to the legislation concerned as amended, repealed, reenacted or replaced and in force from time to time.

**2.4** Unless the context requires otherwise, words in the singular include the plural and words in the plural include the singular.

**2.5** All headings and explanatory notes are included for convenience only: they do not form part of the Articles, and shall not be used in the interpretation of the Articles.

## 3. TABLE A

**3.1** The provisions contained in Table A of the Schedule to the Companies (Table A to F) Regulations 1985 shall not apply.

## PART TWO: ASSET LOCK

### 4. TRANSFER OF ASSETS

**4.1** The Company shall not transfer any of its assets other than for full consideration.

- 4.2** Provided that the transfer of assets does not exceed any limit imposed by, or by virtue of, Part 2 of the 2004 Act, article 4.1 shall not apply to:
- (a) the transfer of assets to any Asset Locked Body specified in the Memorandum or Articles for the purposes of this article or (with the consent of the Regulator) to any other Asset Locked Body;
  - (b) the transfer of assets made for the benefit of the community other than by way of a transfer of assets to an Asset Locked Body;
  - (c) the payment of dividends in respect of shares in the Company;
  - (d) the distribution of assets on a winding up;
  - (e) payments on the redemption or purchase of the Company's own shares;
  - (f) payments on the reduction of share capital; and
  - (g) the extinguishing or reduction of the liability of Members in respect of share capital not paid up on the reduction of share capital.
- 4.3** If the Company is wound up under the Insolvency Act 1986 and all its liabilities have been satisfied, then any remaining residual assets shall be given or transferred to the Asset Locked Body specified in the Memorandum and Articles for the purposes of this article.
- 4.4** For the purposes of this article, the following Asset Locked Body is specified as a potential recipient of the Company's assets under articles 4.2 and 4.3.

Name:	SOCIAL FIRMS UK
Registered Company Number:	SC214915
Registered Office:	54 MANOR PLACE EDINBURGH EH3 7EH.

## PART THREE: DIRECTORS' FUNCTIONS

### 5. DIRECTORS' GENERAL AUTHORITY TO MANAGE THE COMPANY

- 5.1** The Directors' functions are:
- (a) to manage the Company's business; and
  - (b) to exercise all the powers of the Company for any purpose connected with the Company's business.
- 5.2** The Directors may delegate their functions in accordance with the Articles.
- 5.3** The Directors shall convene a Stakeholder Advisory Group to advise them of the changing expectations and experience of people with disabilities or other severe disadvantage in finding employment.

### 6. LIMITS ON DIRECTORS' FUNCTIONS

- 6.1** The Members may, by special resolution:
- (a) alter the scope of the Directors' functions; or
  - (b) require the Directors to act in a specified manner.

No special resolution passed under this article shall have retrospective effect.

## **7. DIRECTORS' GENERAL AUTHORITY TO DELEGATE FUNCTIONS**

- 7.1** Subject to the Company's Objects and Articles, the Directors may delegate any of their functions to any person they think fit.
- 7.2** The Directors must not delegate to any person who is not a Director any decision connected with:
- (a)** the taking of decisions by Directors;
  - (b)** the appointment of a Director or the termination of a Director's appointment; or
  - (c)** the declaration of a dividend.
- 7.3** Any delegation under article **7.1** may authorise further delegation of the Directors' functions by any person to whom they are delegated.

## **8. COMMITTEES OF DIRECTORS**

- 8.1** Two or more Directors are a "committee" if the Directors have:
- (a)** delegated any of the Directors' functions to them; and
  - (b)** indicated that they should act together in relation to that function.
- 8.2** The provisions of the Articles about how the Directors take decisions shall apply, as far as possible, to the taking of decisions by committees.

# **PART FOUR: DECISION MAKING BY DIRECTORS**

## **9. SCOPE OF RULES**

- 9.1** References in the Articles to decisions of Directors are to decisions of Directors which are connected with their functions.
- 9.2** Except where the Articles expressly provide otherwise, provisions of the Articles about how the Directors take decisions do not apply:
- (a)** when the Company only has one Director; or
  - (b)** to decisions delegated to a single Director.

## **10. DIRECTORS TO TAKE DECISIONS COLLECTIVELY**

- 10.1** Any decision which the Directors take:
- (a)** must be either a unanimous decision or a majority decision; and
  - (b)** may, but need not, be taken at a meeting of Directors.

## **11. UNANIMOUS DECISIONS**

- 11.1** The Directors take a unanimous decision when they all indicate to each other that they share a common view on a matter.
- 11.2** A unanimous decision need not involve any discussion between Directors.

## **12. MAJORITY DECISIONS**

- 12.1** The Directors take a majority decision if:
- (a)** every Director has been made aware of a matter to be decided by the Directors;

- (b) all the Directors who indicate that they wish to discuss or vote on the matter have had a reasonable opportunity to communicate their views on it to each other; and
  - (c) a majority of those Directors vote in favour of a particular conclusion on that matter.
- 12.2** Article **12.1(a)** does not require communication with any Director with whom it is not practicable to communicate, having regard to the urgency and importance of the matter to be decided.
- 12.3** A Director who is an alternate director shall be entitled in the absence of his appointer to a separate vote on behalf of his appointer in addition to his own vote.
- 12.4** In case of an equality of votes, the Chair shall have a second or casting vote.
- 12.5** Except as provided by articles **12.3** and **12.4**, in all proceedings of Directors each Director must not have more than one vote.
- 12.6** Directors participating in the taking of a majority decision otherwise than at a meeting of Directors:
- (a) may be in different places, and may participate at different times; and
  - (b) may communicate with each other by any means.

### **13. MEETINGS OF DIRECTORS**

- 13.1** Any Director may call a meeting of Directors.
- 13.2** Every Director must be given reasonable notice of a meeting of Directors.
- 13.3** Article **13.2** does not require notice to be given:
- (a) in writing; or
  - (b) to Directors to whom it is not practicable to give notice, having regard to the urgency and importance of the matters to be decided, or who have waived their entitlement to notice.
- 13.4** Directors participating in a meeting of Directors:
- (a) must participate at the same time, but may be in different places; and
  - (b) may communicate with each other by any means.

### **14. CONFLICTS OF INTEREST**

- 14.1** In this article, a “relevant interest” is any interest which a Director has in, or any duty which a Director owes to a person other than the Company in respect of an actual or proposed transaction or arrangement with the Company.
- 14.2** For the purposes of article **14.1**, a Director shall be deemed to have an interest in a transaction or arrangement if:
- (a) the Director or any partner or other close relative of the Director has an actual or potential financial interest in that transaction or arrangement;
  - (b) any person specified in article **14.2(a)** is a partner in a firm or limited partnership, or a director of or a substantial shareholder in any company, which has an actual or potential commercial interest in that transaction or arrangement; or
  - (c) any other person, who is deemed to be connected with that Director for the purposes of section 317 of the 1985 Act, has a personal interest in that transaction or arrangement.
- 14.3** Subject to article **14.8(b)**, a Director who has a relevant interest must disclose the nature and extent of that interest to the other Directors.

**14.4** Subject to articles **14.5** and **14.6**, when the Directors take a majority decision on any matter relating to a transaction or arrangement in which a Director has a relevant interest:

- (a) no Director who has such a relevant interest may vote on that matter; and
- (b) for the purposes of determining whether a relevant quorum is present, or whether a majority decision has been taken in relation to that matter, such a Director's participation in the decision making process shall be ignored.

**14.5** Article **14.4** does not apply:

- (a) if the Director's interest cannot reasonably be regarded as giving rise to any real possibility of a conflict between the interests of the Director and the Company; or
- (b) if the Director's interest only arises because the Director has given, or has been given, a guarantee, security or indemnity in respect of an obligation incurred by or on behalf of the Company or any of its subsidiaries.

**14.6** The Members may by ordinary resolution decide to disapply article **14.4**, either in relation to majority decisions generally or in relation to a particular decision.

**14.7** Subject to the 1985 Act, if a Director complies with article **14.3**:

- (a) that Director:
  - (i) may be a party to, or otherwise interested in, the transaction or arrangement in which that Director has a relevant interest; and
  - (ii) shall not, by reason of being a Director, be accountable to the Company for any benefit derived from that transaction or arrangement; and
- (b) the transaction or arrangement in which that Director has a relevant interest shall not be liable to be treated as void as a result of that interest.

**14.8** For the purposes of article **14.3**:

- (a) a general notice given to the Directors that a Director is to be regarded as having a specified interest in any transaction or arrangement shall be deemed to be a disclosure that the Director has an interest in any such transaction or arrangement of the nature and extent so specified; and
- (b) any interest of which a Director has no knowledge, and could not reasonably be expected to have knowledge, shall be disregarded.

## **15. RECORDS TO BE KEPT**

**15.1** The Directors are responsible for ensuring that the Company keeps a record, in writing, of:

- (a) every unanimous or majority decision taken by the Directors; and
- (b) every declaration by a Director of an interest in an actual or proposed transaction with the Company.

**15.2** Any record kept under article **15.1** must be kept:

- (a) for at least ten years from the date of the decision or declaration recorded in it;
- (b) together with other such records; and
- (c) in such a way that it is easy to distinguish such records from the Company's other records.

**16. SPECIFIED NUMBER OF DIRECTORS FOR MAJORITY DECISIONS**

**16.1** Subject to article **16.2**, no majority decision shall be taken by the Directors unless three Directors participate in the process by which the decision is taken and are entitled to vote on the matter on which the decision is to be taken.

**16.2** If Company has one or more Directors, but the total number of Directors is less than three, the Directors may take a majority decision:

- (a)** to appoint further Directors; or
- (b)** that will enable the Members to appoint further Directors.

**17. CHAIRING OF MAJORITY DECISION MAKING PROCESSES**

**17.1** The Directors shall appoint a Director to chair the taking of all majority decisions by them.

**17.2** If the person appointed under article **17.1** is for any reason unable or unwilling to chair a particular majority decision making process, the Directors shall appoint another Director to chair that process.

**17.3** The Directors may terminate an appointment made under article **17.1** or article **17.2** at any time.

**17.4** A Director appointed under this article shall be known as the Chair for as long as such appointment lasts.

**18. DIRECTORS' DISCRETION TO MAKE FURTHER RULES**

**18.1** Subject to the Articles, the Directors may make any rule which they think fit about how they take decisions.

**18.2** The Directors must ensure that any rule which they make about how they take decisions is communicated to all persons who are Directors while that rule remains in force.

**19. DEFECT IN APPOINTMENT**

**19.1** This article applies if:

- (a)** a decision is taken by the Directors, or a committee of the Directors, or a person acting as a Director; and
- (b)** it is subsequently discovered that a person who, acting as a Director, took, or participated in taking, that decision:
  - (i)** was not validly appointed as a Director;
  - (ii)** had ceased to hold office as a Director at the time of the decision;
  - (iii)** was not entitled to take that decision; or
  - (iv)** should, in consequence of a conflict of interests, not have voted in the process by which that decision was taken.

**19.2** Where this article applies:

- (a)** the discovery of any defect of the kinds specified in article 19.1(b) shall not invalidate any decision which has been taken by, or with the participation of, the person in relation to whom that defect existed; and
- (b)** any such decision shall be as valid as if no such defect existed in relation to any person who took it or participated in taking it.

## PART FIVE: DIRECTORS' APPOINTMENT AND TERMS OF SERVICE

### 20. COMPOSITION OF THE BOARD OF DIRECTORS

**20.1** The number of Directors shall not be less than three nor more than nine.

**20.2** Following the first annual general meeting the composition of the Board of Directors shall be as follows:

- (a)** one person appointed by the Board of Directors to the executive office of Managing Director, upon such terms and remuneration as the Directors determine, who shall not be subject to retirement by rotation;
- (b)** one person nominated by the Stakeholder Advisory Group (as defined in article 1), who shall not be subject to retirement by rotation;
- (c)** Not less than one not more than two persons appointed by the Board of Directors in view of their qualifications or experience in legal, accountancy or general business matters.
- (d)** up to five persons who are Stewardship Shareholders.

### 21. ELIGIBILITY TO BE A DIRECTOR

**21.1** A person shall not be a Director unless that person:

- (a)** is willing to serve as a Director and (if that person is an individual) has attained the age of 18 years; and
- (b)** is elected or appointed as a Director in accordance with the Articles.

**21.2** No person shall be elected or appointed as a Director in circumstances which, if that person had already been a Director, would have resulted in that person ceasing to be a Director under the Articles.

**21.3** In order that the Company shall not become subject to local authority influence for the purposes of Section 69 of the Local Government and Housing Act 1989 (or any statutory modification or re-enactment thereof) no local authority shall at any time be admitted to membership of the Company or the Board of Directors (as the case may be) if:

- (a)** more than 19% (or such other percentage as may from time to time apply for the like purpose) of the total voting rights of all the members of the Company having the right to vote at a general meeting of the Company would be held by persons who are associated with the authority as mentioned in subsection (5) of the said Section 69; or
- (b)** more than 19% (or such other percentage as may from time to time apply for the like purpose) of the Board of Directors would be persons so associated with it; or
- (c)** more than 19% (or such other percentage as may from time to time apply for the like purpose) of the total voting rights at a meeting of the Board of Directors would be held by persons who are so associated.

**21.4** In the event that a change in membership of the Company or in the composition of the Board of Directors occurs such as to cause, in respect of a local authority already in membership of the Company or in respect of which there are already persons associated with it serving as Directors, the percentages referred to in article 21.3 above to be exceeded, all voting rights of such local authority and of any persons associated with it shall forthwith be suspended until such time as the circumstances which resulted in such suspension cease, when the suspended voting rights will automatically revive; provided that the foregoing shall not deny the local authority concerned or the persons associated with it the right to attend and speak at meetings of the Company or the Board of Directors (as the case may be) or to receive all agenda papers and minutes for any such meetings.

**21.5** It shall be the duty of the Directors to meet as soon as practicable if any of the circumstances referred to in articles **21.3** and **21.4** arise and to take such action as, in their absolute discretion, they deem appropriate with regard to the membership of and/or voting rights at meetings of the Company and/or of the Directors to ameliorate any adverse effect upon the Company.

## **22. METHODS OF APPOINTING DIRECTORS**

**22.1** The first Directors shall be the persons named in Form 10 on incorporation.

**22.2** Thereafter, Directors may be appointed:

- (a)** by ordinary resolution of the Members; or
- (b)** by decision of the Directors provided that the appointment is consistent with the composition of the Board of Directors and does not cause the number of Directors to exceed the number fixed by or in accordance with the Articles as the maximum number of Directors.

**22.3** No powers to appoint Directors may be given to persons who are not Members which immediately after their exercise could result in the majority of the Directors having been appointed by persons who are not Members.

**22.4** The Stakeholder Advisory Group shall be entitled to nominate any person to serve as a director: the Directors shall, at the Directors' meeting which follows receipt of notice of such a nomination, appoint the individual named in the notice as a Director with immediate effect, provided that no more than one person so nominated may serve as a Director at any given time.

## **23. RETIREMENT OF DIRECTORS AND ELECTION AT ANNUAL GENERAL MEETING**

**23.1** At the first annual general meeting and at every subsequent annual general meeting one third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to one third shall retire from office. If only one Director is subject to retirement by rotation, that Director shall retire.

**23.2** Subject to the 1985 Act, the Directors to retire by rotation shall be those who are subject to retirement by rotation and who have been longest in office since their last appointment or reappointment, but as between persons who became or were last reappointed Director on the same day those to retire shall (unless they otherwise agree among themselves) be decided by lot.

**23.3** For the avoidance of doubt, the Director appointed by the Board of Directors to the executive office of Managing Director and the Director nominated by the Stakeholder Advisory Group are not subject to retirement by rotation and shall not be required to retire from office at any annual general meeting.

**23.4** If the Members at the meeting at which a Director retires by rotation do not fill the vacancy, the retiring Director shall, if willing to act, be deemed to have been reappointed unless:

- (a)** at the meeting it is resolved not to fill the vacancy; or
- (b)** a resolution for the reappointment of the Director is put to the meeting and lost.

**23.5** A retiring Director who wishes to be considered for re-election shall give notice to the Secretary at least fourteen but not more than thirty-five clear days before the date appointed for the annual general meeting.

**23.6** A Member other than a retiring Director who wishes to be considered for election as a Director shall give notice to the Secretary at least fourteen but not more than thirty-five clear days before the date appointed for the annual general meeting.

**23.7** At least seven but not more than twenty-eight clear days before the date appointed for holding an annual general meeting notice shall be given to all who are entitled to receive notice of the meeting of any person who is eligible for election or re-election as Director and has given notice under article **23.5** or article **23.6** (each such person being, for the purposes of this article, a “candidate”).

**23.8** Every notice given under articles **23.5**, **23.6** or **23.7** shall state those particulars which would be required to be included in the Company’s register of Directors if the person to which the notice relates were to be elected a Director.

**23.9** Subject to article **23.10**, the question whether each such person is to be elected as a Director shall be decided by a separate ordinary resolution of the Members at the annual general meeting.

**23.10** If the number of candidates in any of the Stewardship Members categories exceeds the maximum number fixed in article **20** (the “relevant maximum”), less the number of those directors from that Stewardship Members category who are not retiring, then the election of Directors shall follow the procedure set out in article **23.11** rather than that set out in article **23.9**.

**23.11** Where the conditions specified in article **23.10** are fulfilled:

- (a) each Member shall be invited to vote on the candidates from the relevant Stewardship Members category or categories by ranking them in order of preference on ballot papers which they must sign and return to the Company at or before the annual general meeting in order to cast their votes on the candidates (and any ballot papers returned at the annual general meeting must be returned before the time appointed for the return of ballot papers by the Chair of the meeting);
- (b) the annual general meeting may be adjourned for the counting of votes under article **23.11(a)** (and, if it is so adjourned, the existing Directors shall continue in office until the outcome of the vote has been determined); and
- (c) the candidates elected as Directors shall be those from the relevant category or categories of Stewardship Members who have been ranked highest in order of preference, taking account of the average of all Members’ votes, and shall be equal in number to the relevant maximum less the number of those directors who are not retiring.

**23.12** If fewer than the maximum number of Directors are elected at an annual general meeting, the Directors may appoint further Directors to fill any vacancy.

## **24. TERMINATION OF DIRECTORS’ APPOINTMENT**

**24.1** A person ceases to be a Director as soon as:

- (a) that person ceases to be a Director by virtue of any provision of the 1985 Act, or is prohibited by law from being a Director;
- (b) any notification to the Company that that person is resigning or retiring from office as Director takes effect (except that where such resignation or retirement would otherwise lead to the Company having fewer than three Directors, it shall not take effect until sufficient replacement Directors have been appointed);
- (c) the Members pass an ordinary resolution removing that person from office;
- (d) a contract under which that person is appointed as a Director of, or personally performs services for, the Company or any of its subsidiaries terminates, and the Directors decide that that person should cease to be a Director;
- (e) in the case of a Director nominated by the Stakeholder Advisory Group, the Group withdraws its nomination by written notice to the Company to that effect;

- (f) the Directors decide, at a meeting of Directors, that that person should be removed from office, but such a decision shall not be taken unless the person in question has been given:
  - (i) at least fourteen clear days' notice in writing of the proposal to remove that person from office, specifying the circumstances alleged to justify removal from office; and
  - (ii) a reasonable opportunity of being heard by, or of making representations in writing to, the Directors.

**24.2** No powers to remove Directors may be given to persons who are not Members which immediately after their exercise could result in either:

- (a) the majority of the remaining Directors having been appointed by persons who are not Members; or
- (b) the number of Directors removed during the financial year of the Company by persons who are not Members exceeding the number of the remaining Directors, but this shall not prevent a Director from appointing, or subsequently removing, an alternate director, if permitted to do so by the Articles.

## **25. DIRECTORS' REMUNERATION AND OTHER TERMS OF SERVICE**

**25.1** Subject to the 1985 Act, the Articles, the Company satisfying the community interest test, and any resolution passed under article **25.2**, the Directors may decide the terms (including as to remuneration) on which a Director is to perform Directors' functions, or otherwise perform any service for the Company or any of its subsidiaries.

**25.2** The Members may by ordinary resolution limit or otherwise specify the remuneration to which any Director may be entitled, either generally or in particular cases.

## **26. DIRECTORS' EXPENSES**

**26.1** The Company may meet all reasonable expenses which the Directors properly incur in connection with:

- (a) the exercise of their functions; or
- (b) the performance of any other duty which they owe to, or service which they perform for, the Company or any of its subsidiaries.

## **PART SIX: SHARES**

### **27. CLASSES OF SHARES**

**27.1** The shares of the Company shall be issued as one of two classes of shares: Stewardship Shares or Investment Shares.

### **28. STEWARDSHIP SHARES**

**28.1** Stewardship Shares may be issued only to the subscribers to the Memorandum, or to other persons agreed by the Board of Directors who in the opinion of the Directors and at their absolute discretion are beneficiaries of the Company (as defined in article 1).

**28.2** No person shall hold more than one Stewardship Share.

**28.3** Stewardship Shares shall be issued only as fully paid shares.

**28.4** Stewardship Share ownership is personal and Stewardship Shares may not be transferred; a Stewardship Share shall be cancelled immediately:

- (a) if in the opinion of the Directors and at their absolute discretion the holder of a Stewardship Share ceases to be a beneficiary of the Company; or
- (b) on the death or bankruptcy of the holder of a Stewardship Share, or (in the case of a corporate body) on receivership, liquidation, dissolution or striking-off of the body which constituted the holder of a Stewardship Share.

## 29. INVESTMENT SHARES

**29.1** Investment shares carry no right to vote at any general meeting of the Company, but may otherwise be issued, allotted or transferred with the consent of the Directors to any persons, and with such special, deferred or preferential rights as the Directors may decide upon.

**29.2** Upon allotment, investment shares may be partly paid-up or fully paid-up in respect of their nominal value, but no share shall be issued at a price greater than its nominal value.

## 30. SHARE CERTIFICATES

**30.1** The Company may issue Members with one or more certificates for their respective shares in such form as the Directors decide.

## 31. TRANSFER OF SHARES

**31.1** Shares may be transferred by means of an instrument of transfer in a form permitted by law.

**31.2** The Directors may refuse to register the transfer of a share:

- (a) to a person of whom they do not approve;
- (b) if it is not lodged at the registered office of the Company or such other place as the Directors may appoint; or
- (c) if it is not accompanied by:
  - (i) such evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; and
  - (ii) such other information as they may reasonably require.

**31.3** If the Directors refuse to register a transfer of a share they shall, within 2 months after the date on which the transfer was lodged with the Company, send to the transferee notice of the refusal.

**31.4** The provisions of this article apply in addition to any restrictions on the transfer of a share which may be set out elsewhere in the Memorandum or Articles.

## 32. TRANSMISSION OF SHARES

**32.1** In case of the death of an Investment Share holder the survivor or survivors where the deceased was a joint holder, and the legal personal representatives of the deceased where s/he was a sole holder, shall be the only persons recognised by the Company as having any title to her/his interest in the shares; but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by her/him with other persons.

**32.2** Any person becoming entitled to a share in consequence of the death or bankruptcy of an Investment Share holder may, upon such evidence being produced as may from time to time properly be required by the Directors and subject as hereinafter provided, elect either to be registered her/himself as holder of the share or to have some person nominated by her/him registered as the transferee thereof, but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by that Investment Share holder before her/his death or bankruptcy, as the case may be.

**32.3** If the person so becoming entitled shall elect to be registered her/himself, s/he shall deliver or send to the Company a notice in writing signed by her/him stating that s/he so elects. If s/he shall elect to have another person registered s/he shall testify her/his election by executing to that person a transfer of the share. All the limitations, restrictions and provisions of these Articles relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the Investment Share holder had not occurred and the notice or transfer were a transfer signed by that Member.

**32.4** A person becoming entitled to a share by reason of the death or bankruptcy of the Investment Share holder shall, upon supplying to the Company such evidence as the Directors may reasonably require to show her/his title to the share, be entitled to the same dividends and other advantages to which s/he would be entitled if s/he were the registered holder of the share; provided always that the Directors may at any time give notice requiring any such person to elect either to be registered her/himself or to transfer the share, and, if the notice is not complied with within sixty days, the Directors may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the share until the requirements of the notice have been complied with.

### **33. PURCHASE OF OWN SHARES**

**33.1** Subject to the Articles, the Company may purchase its own shares (including any redeemable shares) and may make a payment in respect of the redemption or purchase of its own shares otherwise than out of distributable profits of the Company or the proceeds of a fresh issue of shares. Any share so purchased shall be purchased at its nominal value.

### **34. ALTERATION OF CAPITAL**

**34.1** Subject to the 1985 Act and without prejudice to any rights attached to any existing shares, any share may be issued with such rights or restrictions as the Members by special resolution determine.

**34.2** The Members may by special resolution:

- (a)** increase the Company's share capital by new shares of such amount as the resolution prescribes;
- (b)** consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (c)** subject to the 1985 Act, subdivide its shares, or any of them, into shares of smaller amount, and the resolution may determine that, as between the shares resulting from the subdivision, any of them may have preference or advantage as compared with others;
- (d)** cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

## **PART SEVEN: DIVIDENDS**

### **35. PROCEDURE FOR DECLARING DIVIDENDS**

**35.1** Subject to the 1985 Act, the 2004 Act, the Regulations and the Articles, the Directors may decide to declare and pay such dividends to Members as:

- (a)** appear to the Directors to be justified by the Company's profits;
- (b)** are in accordance with Members' respective rights; and

(c) are authorised by an ordinary resolution of the Members.

### **36. PAYMENT OF DIVIDENDS**

**36.1** Subject to articles **36.2** and **36.3**, the Company shall pay any dividend or other money payable by it in respect of a share by means of:

- (a) a transfer to a bank account specified in writing by the holder; or
- (b) a cheque sent by post to the registered address of the holder.

**36.2** If two or more persons hold a share, or are jointly entitled to it by reason of the death or bankruptcy (or, in Scotland, sequestration) of the holder (or one of two or more joint holders), the Company shall pay any dividend or other money payable by it in respect of the share:

- (a) by means of a transfer to a bank account specified in writing by the holder who is named first in the register of Members, or a cheque sent by post to that holder's registered address; or
- (b) (if the death or bankruptcy (or, in Scotland, sequestration) of the first named holder has resulted in two or more persons becoming jointly entitled to the share) by means of a transfer to a bank account specified in writing by all the persons jointly entitled to it, or a cheque sent by post to an address specified in writing by them.

**36.3** The Company may agree another means of paying such dividend or other money with any person entitled to specify a bank account for the payment of a dividend or other money under article **36.2**.

### **37. RIGHT TO DIVIDEND FORFEITED IF UNCLAIMED FOR TWELVE YEARS**

**37.1** Any dividend which has remained unclaimed for twelve years from the date when it became due for payment shall, if the Directors so decide, be forfeited and cease to remain owing by the Company.

## **PART EIGHT: GENERAL MEETINGS (MEETINGS OF MEMBERS)**

### **38. ANNUAL GENERAL MEETING**

**38.1** The Company shall hold an annual general meeting:

- (a) within 18 months of the Company's date of incorporation and afterwards once in each calendar year (provided that not more than 15 months shall elapse between the date of one annual general meeting of the Company and that of the next); and
- (b) at such date, time and place as the Directors shall determine.

### **39. OTHER GENERAL MEETINGS**

**39.1** The Directors may decide to call a general meeting at any time.

**39.2** The Directors shall call a general meeting on receiving a requisition to that effect in accordance with the 1985 Act.

### **40. NOTICE**

**40.1** Notice of general meetings shall be given to every Member, the Directors and the Company's auditors (if any).

**40.2** All general meetings shall be called by at least 21 clear days' notice in writing.

**40.3** Every notice calling a general meeting shall specify:

- (a) the place, date and time of the meeting; and
- (b) the general nature of the business to be transacted.

**40.4** In the case of an annual general meeting, the notice shall specify that the meeting is an annual general meeting.

**40.5** If a special resolution is to be proposed, the notice shall contain a statement to that effect and set out the text of the special resolution.

#### **41. QUORUM**

**41.1** No business shall be transacted at any meeting unless a quorum is present.

**41.2** The quorum for a general meeting shall be two Members or fifty per cent of the Members entitled to vote upon the business to be transacted, whichever is the greater number, each being a Member or a proxy for a Member or a duly authorised representative of a corporate Member.

**41.3** If a quorum is not present within half an hour from the time appointed for the meeting, the meeting shall stand adjourned for a minimum of seven days until such time as the Directors determine.

#### **42. CONDUCT OF BUSINESS – GENERAL**

**42.1** The Chair shall preside as the chair of the general meeting. In the Chair's absence, the Members shall appoint some other Director, or (if no Director willing to preside is present) Member to preside.

**42.2** The Chair:

- (a) may adjourn the meeting from time to time and from place to place, with the consent of a meeting at which a quorum is present; and
- (b) shall do so if so directed by the meeting or in accordance with the Articles.

**42.3** No business shall be transacted at an adjourned meeting other than business which might properly have been transacted at the meeting had the adjournment not taken place.

**42.4** When a meeting is adjourned for fourteen days or more, at least seven clear days' notice shall be given specifying the time and place of the adjourned meeting and the general nature of the business to be transacted. Otherwise it shall not be necessary to give any such notice.

**42.5** Except as required by law, all decisions of the Members at a general meeting shall be made by ordinary resolution.

#### **43. VOTING PROCEDURES**

**43.1** Subject to the Articles, a resolution put to the vote of a meeting shall be decided on a show of hands unless a poll is duly demanded before, or on the declaration of, the show of hands.

**43.2** A poll may be demanded by:

- (a) the Chair;
- (b) at least two Members; or
- (c) a Member or Members representing not less than one tenth of total voting rights of all the Members having the right to vote at the meeting.

**43.3** On a show of hands every Member present in person or by proxy (or, in the case of a corporate Member, by its duly authorised representative) shall have one vote. On a poll, Members shall have one vote for each share which they own.

- 43.4** A person who is not a Member shall not have any right to vote at a general meeting of the Company (except as the proxy or (in the case of a corporate Member) duly authorised representative of a Member).
- 43.5** Articles **43.3** and **43.4** are without prejudice to any right to vote on a resolution affecting the rights attached to a class of the Company's debentures.
- 43.6** Unless a poll is held, a declaration by the chair that a resolution has been:
- (a)** carried;
  - (b)** carried unanimously, or by a particular majority;
  - (c)** lost; or
  - (d)** not carried by a particular majority, and an entry to that effect in the minutes of the meeting, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.
- 43.7** A poll shall be taken at the general meeting as the chair directs and the chair may appoint scrutineers (who need not be Members) and fix a time and place for declaring the result of the poll. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.
- 43.8** In the case of an equality of votes, whether on a show of hands or on a poll, the Chair shall have a second or casting vote.
- 43.9** The proceedings at any general meeting or on the taking of any poll shall not be invalidated by reason of any accidental informality or irregularity (including with regard to the giving of notice) or any want of qualification in any of the persons present or voting.
- 43.10** No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting shall be valid. Any objection made in due time shall be referred to the chair whose decision shall be final and binding.

#### **44. MINUTES**

- 44.1** The Directors shall cause minutes to be made and kept, in writing, of all proceedings at general meetings of the Company.
- 44.2** Any such minute, if purported to be signed by the chair of the meeting, or by the chair of the next succeeding general meeting, shall be sufficient evidence of the proceedings.

### **PART NINE: MISCELLANEOUS**

#### **45. COMPANY SECRETARY**

- 45.1** Subject to the provisions of the 1985 Act, the Directors may decide to appoint an individual to act as Company Secretary for such term and at such remuneration and upon such other conditions as they may think fit.
- 45.2** The Directors may decide to remove a person from the office of Secretary at any time.

#### **46. COMPANY SEAL**

- 46.1** This article applies if the Company has a seal (the "common seal").
- 46.2** The common seal shall only be applied to a document if its use on that document has been authorised by a decision of the Directors.

**46.3** If the common seal is applied to a document, the document shall be:

- (a) signed by an authorised person; and
- (b) countersigned by another authorised person.

**46.4** For the purposes of this article, an authorised person is:

- (a) any Director;
- (b) the Secretary; or
- (c) any person authorised by the Directors for the purpose of signing and countersigning documents to which the common seal is applied.

#### **47. ACCOUNTS, REPORTS AND SOCIAL AUDIT**

**47.1** The Directors shall comply with the requirements of the 1985 Act and any other applicable law as to keeping financial records, the audit or examination of accounts and the preparation and transmission to the Registrar of Companies of annual reports and accounts.

**47.2** Subject to article 47.3, the Company's statutory books and accounting records shall be open to inspection by the Members during usual business hours.

**47.3** The Company may in general meeting impose reasonable restrictions as to the time at which and the manner in which the statutory books and accounting records of the Company may be inspected by Members.

**47.4** A Social Audit of the Company's activities may be undertaken annually in addition to the financial audit required by law. The role of the Social Audit shall be to identify the social costs and benefits of the Company's work, and to enable an assessment to be made of the Company's overall performance in relation to its objects more easily than may be made from financial accounts alone.

**47.5** The Social Audit may be drawn up by the Stakeholder Advisory Group, or by persons appointed and paid by the Stakeholder Advisory Group, or by the Directors, who may submit their report for verification or comments to the Stakeholder Advisory Group.

**47.6** A social audit may include

- (a) an assessment of the internal democracy and decision making of the Company;
- (b) the health and social costs and benefits for employees of the Company and the cost and benefits to such employees of moving from social welfare benefits into employment;
- (c) the wages, health and safety, skill sharing and education opportunities of employees of the Company, and other matters concerning the overall personal or job satisfaction of such employees;
- (d) an assessment of the Company's activities externally, including its effects on users and suppliers, on people in the same or similar field of activity, on persons residing in areas where the Company is located or on the natural environment.

#### **48. NOTICES**

**48.1** Except where the Articles provide otherwise, any notice to be given to or by any person under the Articles shall be in writing to an address for the time being notified for that purpose to the person giving the notice.

**48.2** The Company may give any notice to any person under the Articles:

- (a) in person;

- (b) by sending it by post in a prepaid envelope addressed to that person at that person's registered address, or by leaving it at that address;
- (c) by fax or by electronic communication to an address provided for that purpose; or
- (d) by posting it on a website, where the recipient has been notified of such posting in a manner agreed by that person.

**48.3** A person present at any meeting shall be deemed to have received notice of the meeting and, where requisite, of the purpose for which it was called.

**48.4** Proof that:

- (a) an envelope containing a notice was properly addressed, prepaid and posted; or
- (b) that an electronic communication or fax has been transmitted to the correct address or number, shall be conclusive evidence that the notice was given.

**48.5** A notice shall, unless the contrary is proved, be deemed to be given:

- (a) at the expiration of 48 hours after the envelope containing it was posted; or
- (b) in the case of a notice contained in an electronic communication or fax, at the expiration of 48 hours after the time it was transmitted.

## **49. EQUAL OPPORTUNITIES**

**49.1** Investment in and membership of the Company shall be welcome from any individuals, corporate bodies or organisations regardless of any issues concerned with wealth, social class, age, politics, race, creed, religion, culture, ethnic origin, sex or sexual orientation, marital status, any kind of disability or chronic illness, and the Company shall not be entitled to withhold or reject membership on the grounds of any such issue.

**49.2** Individuals incapacitated and who require the services of an advocate may be admitted to membership, at the discretion of the Directors. In such circumstances, the advocate shall be deemed responsible for exercising any rights and powers required by the individual, as agreed with the Directors. Those acts of the advocate, on behalf of the individual, shall be deemed the same as that of the individual.

**49.3** The Directors, in managing the business of the Company, shall have regard to the equal opportunities implications of the issues under their deliberation and in particular the extent to which equal opportunities might be furthered by their decisions but, for the avoidance of doubt, shall not be bound to treat equal opportunities as the overriding consideration.

**49.4** To assist Directors to participate fully in the business of board meetings, the company shall use its best endeavours to offer training on the duties and responsibilities of company directors, if such training is requested by any Director.

**49.5** Whenever possible, all papers to be discussed at Directors' meetings will be circulated at least five clear days prior to such meetings to enable Directors to consider the papers and to receive assistance in understanding the content and implications of the papers if necessary.

## **50. INDEMNITY**

**50.1** Subject to the 1985 Act, a Director shall be indemnified out of the Company's assets against any expenses which that Director incurs:

- (a) In defending civil proceedings in relation to the affairs of the Company (unless judgement is given against the Director and the judgement is final);
- (b) in defending criminal proceedings in relation to the affairs of the Company (unless the Director is convicted and the conviction is final);

(c) in connection with any application for relief from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company (unless the Court refused to grant the Director relief, and the refusal is final).

**50.2** Judgement, conviction or refusal of relief becomes final if the period for bringing an appeal or any further appeal has ended and any appeal brought is determined, abandoned or otherwise ceases to have effect.

**50.3** This article is without prejudice to any other indemnity to which a Director may be entitled.

NAMES, SIGNATURES & ADDRESSES OF SUBSCRIBERS:

Name	Address	Number of shares taken: <input type="text"/>
Signature		
Name	Address	Number of shares taken: <input type="text"/>
Signature		
Total number of shares taken:		<input type="text"/>

Dated this ..... day of ..... 200 .....

WITNESS TO THE ABOVE SIGNATURES:

Name	Address
Signature	

