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DATED 2<sup>nd</sup> May 2019

**The Companies Act 2006**  
**Community Interest Company Limited by Shares**

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**ARTICLES OF ASSOCIATION**  
**of**  
**Locala Community Partnerships C.I.C.**

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**The Companies Act 2006  
Articles of Association**

of

**LOCALA COMMUNITY PARTNERSHIPS C.I.C.**

**1 NAME**

The Company is called "LOCALA COMMUNITY PARTNERSHIPS C.I.C." (the "Company").

**2 COMMUNITY INTEREST COMPANY**

The Company shall be a community interest company.

**3 OBJECT**

3.1 The Company's object is to carry on business in relation to health and well being for the benefit of the community, including (without limitation)

3.1.1 providing and developing health and social care services;

3.1.2 providing high quality accessible services;

3.1.3 providing value for money services to commissioners and stakeholders;

3.1.4 being a driving force for innovation in the delivery of services in community and other settings; and

3.1.5 being regarded as a provider of choice for services such as these and continuing to develop innovative, cost effective services that respond to the needs of people.

3.2 The Company is committed to:

3.2.1 following founding principles and values of the NHS and social care;

3.2.2 partnership working and staff involvement;

3.2.3 co-operating with bodies providing NHS or social care services;

3.2.4 striving to minimise its impact on the natural environment; and

3.2.5 retaining profits and applying them to achieve the Company's purpose.

**4 POWERS**

To further its objects the Company may do all such lawful things as may further the Company's object and, in particular, but without limitation, may borrow or raise and secure the payment of money for any purpose including for the purposes of investment or of raising funds.

## **5 LIMITED LIABILITY**

The liability of the Members is limited to the amount, if any, unpaid on the shares held by them.

## **6 GOVERNANCE**

### **6.1 Overview**

The Company has Members, a Members' Council, and a Board of Directors. It also has a Secretary

### **6.2 Governing documents**

6.2.1 These Articles set out the way in which the Company is owned, organised and governed.

6.2.2 Where the Articles allow it, the Board of Directors may make regulations setting out other provisions in addition to the Articles. Such regulations shall not be inconsistent with the Articles.

6.2.3 Other provisions (such as codes of conduct) may be established as the Articles specify.

### **6.3 Members**

6.3.1 Membership provides Members with access to information, a voice in the Company, and the opportunity to be elected to a representative role in its governance.

6.3.2 Subject to Article 6.3.3, there are two types of Members of the Company – Staff Members and Community Members.

6.3.3 Members of the Company for the purposes of the 2006 Act shall only include Staff Members admitted to membership in accordance with these Articles for such purpose. Community Members are not Members of the Company for the purposes of the 2006 Act, but such Members shall otherwise have all the rights set out in these Articles.

### **6.4 Information**

Members are entitled to receive information about the Company and its business, as provided in the Articles.

### **6.5 Voice**

6.5.1 Members have a voice in the Company's affairs as provided in the Articles, by:

6.5.1.1 attending, speaking and submitting motions to be considered at Member's meetings;

6.5.1.2 voting at Members' meetings; and

6.5.1.3 electing representatives to the Members' Council.

## **6.6 Representation**

Subject to qualification criteria, the Articles allow Members to stand for election to the Members' Council.

## **6.7 Members' Council**

6.7.1 As provided in the Articles, the Members' Council represents Members and the community within the Company, and is a link between the members and the community and the Board of Directors.

6.7.2 The Members' Council has certain specific functions which are set out in the Articles.

6.7.3 Individual Council Members are expected:

6.7.3.1 to promote and encourage participation by Members and the community in the Company's affairs;

6.7.3.2 within the Company, to strive to ensure that the relevant interests of the community served by the Company are appropriately represented,

but individual Council Members have no authority to make decisions or to act in the name of the Company as individual Council Members.

## **6.8 Board of Directors**

Subject to the Articles, the Board of Directors manages the affairs of the Company and may exercise all of its powers.

## **6.9 Secretary**

The Secretary is secretary to the Company, and acts as secretary to the Board of Directors and the Members' Council.

# **7 MEMBERS**

7.1 The Company shall at all times strive to ensure that taken as a whole its actual membership is representative of those eligible for membership to this end:

7.1.1 the Company shall at all times have in place and pursue a Membership Strategy which shall be proposed and reviewed by the Members' Council and approved by the Board of Directors, and shall be reviewed by them from time to time, and at least every three years;

7.1.2 the Members' Council shall present to each annual Members' meeting a report on:

7.1.2.1 the progress of the Membership Strategy;

- 7.1.2.2 any changes to the Membership Strategy.
- 7.2 The Members of the Company are those whose names are listed in the Register of Members. The Register shall make clear whether the Members are Staff (including those who are Members for the purposes of the 2006 Act) or Community Members.
- 7.3 Membership is open to any person who completes an application for membership in the form required and:
  - 7.3.1 who is entitled to be a Community Member, that is to say a person who is:
    - 7.3.1.1 a service-user (that is to say, a person who receives the health and social care services provided by the Company), or has been a service-user within the six months immediately prior to their application for membership; or
    - 7.3.1.2 a carer of a person who is or has been a service-user within the six months immediately prior to their application for membership; or
    - 7.3.1.3 a Registered Volunteer; or
    - 7.3.1.4 someone who lives or accesses services in the area served by Locala.
  - 7.3.2 who is entitled to be a Staff Member and has a permanent contract of employment with the Company, that is to say a person employed by or carrying out functions for the Company. For the avoidance of doubt, this does not include volunteers, or independent professional carers.
- 7.4 No person who is entitled to be a Staff Member may become a Community Member.
- 7.5 The Secretary shall make any final decision about the constituency which a Member belongs to.
- 7.6 Cessation of Membership**
  - 7.6.1 A Member ceases to be a member of the Company in the following circumstances:
    - 7.6.1.1 they die;
    - 7.6.1.2 they resign in writing;
    - 7.6.1.3 they cease to be entitled under the Articles to be a Member and are removed from the Register of Members;
    - 7.6.1.4 the Secretary removes them from the Register of Members, after completing procedures approved by the Members' Council, on the grounds that:

- (a) the Company has lost contact with the Member; or
- (b) they are no longer interested in continuing as a Member.

7.6.1.5 they are expelled from membership under the Articles.

7.6.2 A Member may be expelled by a resolution approved by not less than two-thirds of the Council Members present and voting at a Council Members meeting. The following procedure is to be adopted:

7.6.2.1 any Member may complain to the Secretary that another Member has acted in a way detrimental to the interests of the Company;

7.6.2.2 if a complaint is made, the Members' Council may itself consider the complaint having taken such steps as it considers appropriate to ensure that each Member's point of view is heard and may either:

- (a) dismiss the complaint and take no further action; or
- (b) for a period not exceeding twelve months suspend the rights of the Member complained of to attend Members' meetings and vote under the Articles;
- (c) arrange for a resolution to expel the Member complained of to be considered at the next Members' Council meeting.

7.6.2.3 if a resolution to expel a Member is to be considered at a Members' Council meeting, details of the complaint must be sent to the Member complained of not less than one calendar month before the meeting with an invitation to answer the complaint and attend the meeting;

7.6.2.4 at the meeting the Members' Council will consider evidence in support of the complaint and such evidence as the Member complained of may wish to place before them;

7.6.2.5 if the Member complained of fails to attend the meeting without due cause the meeting may proceed in their absence;

7.6.2.6 a person expelled from membership will cease to be a Member upon the declaration by the chair of the meeting that the resolution to expel them is carried.

- 7.6.3 No person who has been expelled from membership is to be re-admitted except by a resolution carried by the votes of two-thirds of the Council Members present and voting at a Members' Council meeting.

## **8 MEMBERS MEETING**

- 8.1 Every calendar year, the Company shall hold an annual Members' meeting.
- 8.2 Any other Members' meetings are special Members' meetings.
- 8.3 The Board of Directors (except where otherwise provided in the Articles):
- 8.3.1 convenes Members' meetings;
  - 8.3.2 decides the date, time and place of any Members' meeting and of any adjourned meeting; and
  - 8.3.3 decides whether a Members' meeting will be held at more than one location, and if so, whether simultaneously or at different dates and/or times.

### **8.4 Annual Members meeting**

- 8.4.1 The functions of the annual Members' meeting shall include:
- 8.4.1.1 receiving from the Board of Directors the Annual Accounts for the previous financial year, a report on the Company's performance in the previous year, and forward plans for the current year and the next year;
  - 8.4.1.2 receiving from the Members' Council a report on the progress of the Membership Strategy and any changes to it;
  - 8.4.1.3 declaring the results of elections of elected Council Members and announcing the appointment of appointed Council Members;
  - 8.4.1.4 to appoint or remove the Auditor; and
  - 8.4.1.5 to appoint or remove any other external auditor to review and deliver a report on any other aspect of the Company's affairs.

### **8.5 Special Members Meetings**

- 8.5.1 Special Members' meetings are to be convened by the Secretary either:
- 8.5.1.1 by order of the Board of Directors; or
  - 8.5.1.2 if required to do so by the Staff Members under the 2006 Act.



8.5.2 Any requisition must state the purpose for which the meeting is to be convened if the Secretary is not within the United Kingdom or is unwilling to convene a special Members' meeting, any Director may convene the meeting.

8.5.3 A special Members' meeting called in response to a Members' requisition must be held within 28 days of the date on which the requisition is delivered to the registered office. The meeting is not to transact any business other than that set out in the requisition and the notice convening the meeting.

## **8.6 Notice of Members Meetings**

8.6.1 Notice of a Members' meeting is to be given at least 14 clear days before the date of the meeting:

8.6.1.1 by notice prominently displayed at the registered office and at all of the Company's places of business; and

8.6.1.2 by notice on the Company's website.

8.6.2 The notice must be given to Directors, Council Members, and the Auditor, and it must:

8.6.2.1 state whether the meeting is an annual or special Members' meeting;

8.6.2.2 give the time, date and place of the meeting, and

8.6.2.3 set out the business to be dealt with at the meeting.

## **8.7 Procedure at Members meetings**

8.7.1 Members' meetings are open to all Members, but not to the public unless the Board of Directors decides otherwise. The Board of Directors may invite particular individuals or representatives of particular organisations to attend a Members meeting.

8.7.2 Before a Members' meeting can do business, there must be a quorum present. Except where these Articles say otherwise, a quorum is present if twenty Members, or 10% of the Members entitled to vote at the meeting whichever is lower are present.

8.7.3 If no quorum is present within half an hour of the time fixed for the start of the meeting, the meeting shall stand adjourned to the same day in the next week at the same time and place or to such time and place as the Board of Directors determines. If no quorum is present within half an hour of the time fixed for the start of the adjourned meeting, the number of Members present during the meeting is to be a quorum.

8.7.4 It is the responsibility of the Board of Directors, the chair of the meeting and the Secretary to ensure that at any Members meeting:

8.7.4.1 the issues to be decided are clearly explained;

8.7.4.2 sufficient information is provided to Members to enable rational discussion to take place; and

8.7.4.3 where appropriate, experts in relevant fields are invited to address the meeting.

8.7.5 The Chair, or in their absence some other Director nominated by the Board of Directors, shall chair a Members' meeting. If neither the Chair nor such other Director is present, the Directors present shall elect one of their number to be chair and if there is only one Director present and willing to act they shall be chair of the meeting.

## **8.8 Voting at Members Meetings**

8.8.1 Subject to these Articles and to any Act of Parliament, a resolution put to the vote at a Members' meeting shall, except where a poll is demanded or directed, be decided upon by a show of hands

8.8.2 The Board of Directors may introduce arrangements for Members to vote by post, or by using electronic communications.

8.8.3 On a show of hands and on a poll, every Member present (and where postal or electronic voting arrangements have been introduced, any Member who has voted in this way) is to have one vote. In the case of an equality of votes, the Chair of the meeting is to have a second or casting vote.

8.8.4 A person who is not a Member shall not have any right to vote at a general meeting of the Company but this is without prejudice to any right to vote on a resolution affecting the rights attached to a class of the Company's debentures.

8.8.5 Article 8.8.4 shall not prevent a person who is a proxy for a Member or a duly authorised representative from voting at a general meeting of the Company.

8.8.6 A poll may be directed by the Chair or demanded either before or immediately after a vote by show of hands by not less than one-tenth of the Members present at the meeting.

8.8.7 Unless these Articles or an Act of Parliament say otherwise, all resolutions are to be decided by a simple majority of the votes cast.

## 9 MEMBERS' COUNCIL

### 9.1 Composition

- 9.1.1 The Members' Council comprises Council Members who are elected using election procedures approved by the Board of Directors (including procedures to ensure that candidates for election are able to fulfil the role of a Council Member), and Council Members who are appointed by the Member's Council.
- 9.1.2 The maximum number of members of the Member's Council shall be twenty.
- 9.1.3 There shall be a maximum of ten Council Members elected by Staff Members, including at least one from each of the following categories:
- 9.1.3.1 Adult Care Worker;
  - 9.1.3.2 Therapies Worker;
  - 9.1.3.3 Children's Care Worker; and
  - 9.1.3.4 Support Worker (being a Worker who does not fall into one of the preceding categories).
- 9.1.4 There shall be a maximum of six Council Members elected by Community Members of whom at least one shall be a Service User and at least one shall be a Carer.
- 9.1.5 There shall be a maximum of four Council Members appointed by the Members' Council.
- 9.1.6 The Members' Council shall seek to ensure, both generally and in the exercise of its power to appoint Council Members, that through its composition:
- 9.1.6.1 the interests of the community served by the Company are appropriately represented;
  - 9.1.6.2 the level of representation of Community Members and Staff Members strikes an appropriate balance having regard to their legitimate interest in the Company's affairs;
  - 9.1.6.3 the Members' Council has the skills and experience necessary to enable it to fulfil its role in the governance of the Company..
- 9.1.7 To this end, the Members' Council:

- 9.1.7.1 shall at all times maintain a policy for the composition of the Members' Council which takes account of the Membership Strategy; and
- 9.1.7.2 shall from time to time and not less than every three years review the policy for the composition of the Members' Council; and
- 9.1.7.3 when appropriate shall amend the policy.

## **9.2 Functions of Members' Council**

- 9.2.1 The Members' Council performs the following specific functions:
  - 9.2.1.1 to appoint or remove the Chair and the other non-executive Directors;
  - 9.2.1.2 to decide the remuneration and allowances, and the other terms and conditions of office, of the Chair and the other non-executive Directors;
  - 9.2.1.3 to work with the Board of Directors in preparing the Company's mission, values, strategy and forward plans;
  - 9.2.1.4 to appoint one of their number to be Deputy Chair of the Members' Council;
  - 9.2.1.5 to undertake such functions as the Board of Directors shall from time to time request;
  - 9.2.1.6 to prepare and from time to time review the Company's Membership Strategy and its policy for the composition of the Member's Council and of the non-executive Directors.

## **9.3 Eligibility requirements for Members' Council**

- 9.3.1 No person may become or continue to be a Council Member if they:
  - 9.3.1.1 are a Director of the Company, unless they have been appointed to the Colleague Board Member role;
  - 9.3.1.2 a Council Member or director of an NHS body, unless the Members' Council decides to over-rule this provision in a particular case;
  - 9.3.1.3 are a spouse, partner, parent or child of another Council Member or of a Director of the Company;
  - 9.3.1.4 become bankrupt;
  - 9.3.1.5 have refused without reasonable cause to fulfil any training requirement established by the Members' Council;

9.3.1.6 have refused to sign and deliver to the Secretary a statement in the form required by the Members' Council confirming acceptance of the code of conduct for Council Members.

#### **9.4 Tenure of Office as Council Member**

9.4.1 Subject to the next sub-paragraph, an elected Council Member shall normally hold office for a period of three years commencing immediately after the annual Members' meeting at which their election is declared.

9.4.2 At the second and third annual Members' meetings of the Company one third of the Council Members elected by Staff Members and one third of the Council Members elected by Community Members (to be chosen by lot) will resign from office. Thereafter one third of the Council Members elected by Staff Members and one third of the Council Members elected by Community Members who have served the longest at the date of the annual Members' meeting each year will resign. If at any time the number of relevant Council Members is not divisible by three, the Members' Council shall decide the number of Council Members to resign, which shall be approximately one third of the total number.

9.4.3 *An elected Council Member shall be eligible for re-election at the end of their term.*

9.4.4 An elected Council Member may not hold office for more than six consecutive years. In exceptional circumstances, a Staff Council Member may hold office for more than six consecutive years if during the sixth year of their term of office staff shareholders give their consent for them to serve up to a maximum of a further three years.

9.4.5 For the purposes of these provisions concerning terms of office for elected Council Members, "year" means a period commencing immediately after the conclusion of the annual Members' meeting, and ending at the conclusion of the next annual Members' meeting.

9.4.6 The terms of office of appointed Council Members shall be decided by the Members' Council at the time of appointment.

#### **9.5 Termination of office as Council Member**

9.5.1 A person holding office as a Council Member shall immediately cease to do so if:

9.5.1.1 they resign by notice in writing to the Secretary;

9.5.1.2 being an elected Council Member, they cease to be a member of the constituency by which they were elected;

- 9.5.1.3 they fail to attend three consecutive meetings of the Members' Council, unless the other Council Members are satisfied that:
    - (a) the absences where due to a reasonable causes; and
    - (b) they will be able to start attending meetings of the Members' Council again within such a period as the other Council Members consider reasonable;
  - 9.5.1.4 they have refused without reasonable cause to undertake any training which the Members' Council requires all Council Members to undertake;
  - 9.5.1.5 they have failed to sign and deliver to the Secretary a statement in the form required by the Secretary confirming acceptance of the code of conduct for members of the Member's Council and the Company's values; or
  - 9.5.1.6 they are removed from the Members' Council under Article 9.5.2.
- 9.5.2 A Council Member may be removed from the Members' Council by a resolution approved by not less than three quarters of the remaining Council Members present and voting on the grounds that:
- 9.5.2.1 they have committed a serious breach of any code of conduct or other requirement they are required to comply with; or
  - 9.5.2.2 they have acted in a manner detrimental to the interests of the Company; and
  - 9.5.2.3 the Members' Council consider that it is not in the best interests of the Company for them to continue as a Council Member.

## **9.6 Vacancies**

- 9.6.1 Where a vacancy arises on the Members' Council for any reason other than expiry of term of office, the following provisions will apply.
- 9.6.2 Where the vacancy arises amongst the appointed Council Members, the Members' Council may appoint a replacement.
- 9.6.3 Where the vacancy arises amongst the elected Council Members, the Members' Council shall be at liberty either:

- 9.6.3.1 to call an election within three months to fill the seat for the remainder of that term of office; or
- 9.6.3.2 to invite the next highest polling candidate for that seat at the most recent election, who is willing to take office, to fill the seat until the next annual election, at which time the seat will fall vacant and subject to election for any unexpired period of the term of office; or
- 9.6.3.3 if the unexpired period of the term of office is less than six months, to leave the seat vacant until the next elections are held.

## **9.7 Members' Council Meetings**

- 9.7.1 The Chair shall preside at meetings of the Members' Council. In their absence, or if the Chair has a conflict of interest in relation to the business being discussed, the Deputy Chair of the Members' Council shall act as chair.
- 9.7.2 The Members' Council shall decide whether or not their meetings are open to members of the public. If admitted, members of the public may be excluded from a meeting if they are interfering with or preventing the proper conduct of the meeting or for other special reasons.
- 9.7.3 Meetings of the Members' Council may be called by the Secretary, or by the Chair, or by six Council Members (including at least two elected Council Members and two appointed Council Members) who give written notice to the Secretary specifying the business to be carried out. The Secretary shall send a written notice to all Council Members as soon as possible after receipt of such a request. The Secretary shall call a meeting on at least fourteen but not more than twenty-eight days' notice to discuss the specified business. If the Secretary fails to call such a meeting then the Chair or six Council Members, whichever is the case, shall call such a meeting.
- 9.7.4 Eight Council Members including not less than four Council Members elected by Staff Members, not less than two Council Members elected by Community Members and not less than one appointed Council Member shall form a quorum.
- 9.7.5 The Members' Council may invite the Chief Executive or any other Director, or a representative of the Auditor or other advisors to attend a Council Members meeting.

- 9.7.6 The Members' Council may agree that Council Members can participate in its meetings by telephone, video or computer link. Participation in a meeting in this manner shall be deemed to constitute presence in person at the meeting.
- 9.7.7 Unless the Articles provide otherwise, questions arising at a Members' Council meeting shall be decided by a majority of votes. In the case of an equality of votes the person presiding at or chairing the meeting shall have a casting vote.
- 9.7.8 The Members' Council may not delegate any of its powers to a committee or sub committee, but it may appoint committees consisting of its members, Directors, and any other person to assist the Members' Council in carrying out its functions. The Members' Council may, through the Secretary, request that advisors assist them or any committee they appointed in carrying out their duties.
- 9.7.9 All decisions taken in good faith at a meeting of the Members' Council or of any committee shall be valid even if it is discovered subsequently that there was a defect in the calling of the meeting, or the appointment of any of the Council Members attending the meeting.

## **9.8 Disclosure of Interests**

- 9.8.1 Council Members shall disclose to the Members' Council any material interests (as defined below) held by them, their spouse or partner, which shall be recorded in the register of interests of Council Members;
- 9.8.2 Subject to the exceptions below a material interest is:
- 9.8.2.1 any directorship of a Company;
  - 9.8.2.2 any interest or position in any firm, company, business or organisation (including any charitable or voluntary organisation) which has or is likely to have a trading or commercial relationship with the Company;
  - 9.8.2.3 any interest or position in an organisation in the health and social care sectors;
  - 9.8.2.4 a position of authority in a charity or voluntary organisation in the field of health and social care;
  - 9.8.2.5 any connection with any organisation, entity or company considering entering into a financial arrangement with the Company including but not limited to lenders or banks.



- 9.8.3 The exceptions which shall not be treated as interests or material interests for the purposes of these provisions are as follows:
- 9.8.3.1 shares not exceeding 2% of the total shares in issue held in any company whose shares are listed on any public exchange;
  - 9.8.3.2 an employment contract with the Company held by a Council Member elected by Staff Members.
- 9.8.4 Any Council Member who has an interest in a matter to be considered by the Members' Council (whether because the matter involves a firm, company, business or organisation in which they or their spouse or partner has a material interest or otherwise) shall declare such interest to the Members' Council and:
- 9.8.4.1 shall withdraw from the meeting and play no part in the relevant discussion or decision;
  - 9.8.4.2 shall not vote on the issue (and if by inadvertence they do remain and vote, their vote shall not be counted); and
  - 9.8.4.3 details of any such interest shall be recorded in the register of interests of Council Members.
- 9.8.5 Any Council Member who fails to disclose any interest or material interest required to be disclosed under these provisions must permanently vacate their office if required to do so by a majority of the remaining Council Members.

## **10 BOARD OF DIRECTORS**

### **10.1 Composition of the Board**

- 10.1.1 The Board of Directors comprises executive Directors and non-executive Directors, as follows:
- 10.1.1.1 there shall be a minimum of three non-executive Directors, one of whom is to be Chair;
  - 10.1.1.2 one of the executive Directors is to be the Chief Executive, one is to be the Finance Director, and one is to be a health care professional.
  - 10.1.1.3 not less than half of the Directors shall be non-executive Directors.
- 10.1.2 The Chief Executive will be accountable in his/her role to the Board of Directors and to the Members through the Members' Council.

## **10.2 Provisions affecting membership of the Board of Directors**

- 10.2.1 Only Community Members may be non-executive Directors.
- 10.2.2 No person may become or continue to be a Director if they:
  - 10.2.2.1 are a Council Member or director of an NHS body except with the approval of the Board of Directors;
  - 10.2.2.2 are a spouse, partner, parent or child of another Director or of a Council Member of the Company;
  - 10.2.2.3 are the subject of a disqualification order made under the Company Directors Disqualification Act 1986;
  - 10.2.2.4 become bankrupt or make any arrangement or composition with creditors;
  - 10.2.2.5 have refused without reasonable cause to fulfil any training requirement established by the Board of Directors; or
  - 10.2.2.6 have refused to sign and deliver to the Secretary a statement in the form required by the Board of Directors confirming acceptance of the code of conduct for Directors.

## **10.3 Appointment and removal of the Chair, other non-executive Directors and executive Directors**

- 10.3.1 The Members' Council shall appoint or remove the Chair and the other non-executive Directors.
- 10.3.2 Removal of the Chair or another non-executive Director shall require the approval of a three quarters majority of the Council Members voting at a Council Members' meeting.
- 10.3.3 The non-executive Directors shall appoint or remove the Chief Executive.
- 10.3.4 A committee comprising the non-executive Directors and the Chief Executive shall appoint or remove other executive Directors.
- 10.3.5 The Board of Directors shall appoint one of the non-executive Directors to be Vice chair.

## **10.4 Term of Office for Non-Executive Directors**

- 10.4.1 Non-executive directors shall hold office for specified periods of no more than three years each.
- 10.4.2 Subject to Article 10.4.3, a non-executive director may not hold office for more than six consecutive years.

- 10.4.3 In exceptional circumstances, a non-executive director may hold office for more than six consecutive years if during the sixth year of a non-executive director's term of office the Members' Council gives its consent to that non-executive director serving up to a maximum of a further three years immediately following what would otherwise be the end of the non-executive director's term of office.

## **10.5 Board Meetings**

- 10.5.1 The Board of Directors shall hold at least four meetings each year.
- 10.5.2 Four Directors including not less than two non-executive Directors shall *form a quorum*.
- 10.5.3 Directors may be counted in the quorum, participate in and vote at meetings of the Board by telephone, video or other electronic means.
- 10.5.4 Questions arising at a Directors' meeting shall be decided by a majority of votes.
- 10.5.5 In all proceedings of Directors each Director must not have more than one vote.
- 10.5.6 In case of an equality of votes, the Chair shall have a second or casting vote.
- 10.5.7 If either the Chair, (or in the absence of the Chair, the Vice-chair), or at least one third of the members of the Board, asks the Secretary to circulate a resolution to all Directors to be signed, and it is returned to the Secretary signed by at least three quarters of the Directors, then it shall have the same effect as a resolution validly passed at a meeting of the Board of Directors. Each Director may sign a separate copy of the resolution and send a signed copy to the Secretary by email or any other electronic means.
- 10.5.8 The Board of Directors may make standing orders for the conduct of its meetings.

## **10.6 Disclosure of Interests**

- 10.6.1 Directors shall disclose to the Board of Directors any material interests (as defined below) held by them, their spouse or partner, which shall be recorded in the register of interests of the Directors.
- 10.6.2 A material interest is:
- 10.6.2.1 any interest (excluding a holding of shares in a company whose shares are listed on any public exchange where the holding is less than 2% of the total shares in issue) or

position held by a Director in any firm, company or business which has or is likely to have a trading or commercial relationship with the Company;

10.6.2.2 any shareholding or position of authority in an organisation providing health and social care services;

10.6.2.3 a position of authority in a charity or voluntary organisation in the field of health and social care;

10.6.2.4 any connection with any organisation, entity or company considering entering into a financial arrangement with the Company including but not limited to lenders or banks.

10.6.3 Any Director who has an interest in a matter to be considered by the Board of Directors (whether because the matter involves a firm, company, business or organisation in which they or their spouse or partner has a material interest or otherwise) shall declare such interest to the Board of Directors and:

10.6.3.1 shall withdraw from the meeting and play no part in the relevant discussion or decision;

10.6.3.2 shall not vote on the issue (and if by inadvertence they do remain and vote, their vote shall not be counted); and

10.6.3.3 details of any such interest shall be recorded in the register of interests of the Directors.

10.6.4 Any Director who fails to disclose any interest or material interest required to be disclosed under these provisions must permanently vacate their office if required to do so by a majority of the remaining Directors and (in the case of a non-executive Director) by a majority of the Members' Council.

## **10.7 Committees of the Board**

10.7.1 The Board of Directors shall establish:

10.7.1.1 an Audit Committee comprising non-executive Directors to perform such monitoring, reviewing and other functions as are appropriate; and

10.7.1.2 a Nominations and Remuneration Committee comprising non-executive Directors to lead the process for nominations to the Board of Directors and make recommendations to the Board of Directors, and decide the remuneration and

allowances and other terms and conditions of office of the executive Directors.

10.7.1.3 any other Committee(s) deemed appropriate by the Board of Directors.

## **11 REPORTING**

### **11.1 Preparation of Accounts**

11.1.1 In respect of each year of account, the Board of Directors shall cause to be prepared Annual Accounts which shall include:

11.1.1.1 a revenue account or revenue accounts which singly or together deal with the affairs of the Company as a whole for that year and which give a true and fair view of the income and expenditure of the Company for that year; and

11.1.1.2 a balance sheet giving a true and fair view as at the date thereof of the state of the affairs of the Company.

11.1.2 The Board of Directors has the power to prepare in addition a revenue account or revenue accounts for less than one year of account and a balance sheet at the end of the period covered by such revenue account or revenue accounts.

### **11.2 Auditors and Accounts**

11.2.1 The Company shall in accordance with the law appoint in each year a qualified Auditor or Auditors to be the Auditor, and the following provisions shall apply to them:

11.2.1.1 The accounts of the Company for that year shall be submitted to them for audit as required by the law;

11.2.1.2 They shall have all the rights and duties in relation to notice of, and attendance and right of audience at Members' meetings, access to books, the supply of information, reporting on accounts and otherwise, as are provided by the law;

11.2.1.3 Except where provided in the Articles, they are appointed by the Members at the annual Members' meeting, and the provisions of the law shall apply to the re-appointment and removal and to any resolution removing, or appointing another person in their place;

11.2.1.4 Their remuneration shall be approved by the Members at the annual Members' meeting.

11.2.2 The Board of Directors may fill any casual vacancy in the office of Auditor until the following Annual Members' meeting.

11.2.3 The Board of Directors will appoint internal auditors to devise, agree and implement an annual programme of audit and review.

### **11.3 Presentation of Accounts**

11.3.1 The Board of Directors shall present reports of the business and affairs of the Company to the annual Members' meetings.

11.3.2 The Board of Directors shall lay Annual Accounts before the annual Members' meeting showing respectively the income and expenditure for and the state of the affairs of the Company as at the end of the Company's most recent financial year (or of such other period as the Board of Directors may decide).

### **11.4 Publication of Accounts and Balance Sheets**

Subject to the law, the Board of Directors must not cause to be published any revenue account or balance sheet unless it has previously been audited by the Auditor. Every revenue account and balance sheet published must be signed in the manner required by current Company Law.

### **11.5 Copy of Balance Sheet to be Displayed**

The Company must keep a copy of the last balance sheet for the time being, together with the report of the Auditor. Any Member wishing to inspect the balance sheet and report of the Auditor shall provide the Company with not less than 7 days prior notice given in writing to the Secretary at the Company's registered office.

### **11.6 Publication of reports by any other external auditor**

The Board of Directors may decide that external auditors shall be appointed to review and deliver a report on aspects of the Company's affairs other than finance. The Company shall provide that any such report is published in such manner as the Board of Directors shall determine.

### **11.7 Annual Return to be sent to Registrar of Companies**

The Company must, within the time allowed by legislation in each year, file an annual return with the Registrar of Companies in the prescribed form, relating to its affairs during the period covered by the return and the most recent annual return shall be made available to any Member by the Secretary on request in writing free of charge.

### **11.8 Remuneration**

- 11.8.1 Council Members are not entitled to receive any remuneration for their services unless a Members' meeting resolves otherwise and approves any such remuneration.
- 11.8.2 The amounts paid and payable to each Director in respect of each financial year shall be disclosed in the Annual Accounts.
- 11.8.3 Directors and Council Members are entitled to reimbursement of expenses in accordance with any policy approved by the Members' Council (in relation to Directors' expenses) and by a Members' meeting (in relation to Council Members' expenses). A summary of such expenses is to be published in the Annual Accounts.

## **12 CHANGE**

### **12.1 Alterations to Articles**

- 12.1.1 Subject to the requirements of the 2006 Act, no new Article shall be made, nor shall any of the Articles be amended, unless it is approved by a majority of three-quarters of the votes cast by the Staff Members at a special Members' meeting.
- 12.1.2 Subject to the requirements of the 2006 Act, no new Article shall be made, nor shall any of the Articles be amended which varies the particular rights of Community Members or Staff Members unless it has also been approved by a majority of two-thirds of the votes cast at a special meeting of Community Members or Staff Members (as the case may be).
- 12.1.3 Notice of such a special Members' meeting shall specify the Articles to be amended, and set out the terms of all amendments or new Articles proposed.
- 12.1.4 When submitting Article amendments to the Registrar of Companies for registration the Secretary may, at the Secretary's sole discretion, accept any minor alterations required or suggested by the Regulator without reference back to a further special Members meeting of the Company if that would not be contrary to law.
- 12.1.5 The Board of Directors may change the address of the Company's website, and the situation of the Company's registered office. The Company will send notice of any change in the Company's registered office to the Companies House.

### **12.2 Restriction on use – Asset Lock**

- 12.2.1 The Company shall not transfer any of its assets other than for full consideration.

12.2.2 Provided the conditions specified in Article 12.2.3 are satisfied, Article 12.2.1 shall not apply to:

12.2.2.1 the transfer of assets to any specified Asset Locked Body or (with the consent of the Regulator) to any other Asset Locked Body; or

12.2.2.2 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.

12.2.3 The conditions are that the transfer of assets must comply with any restrictions on the transfer of assets for less than full consideration which may be set out elsewhere in the Memorandum and Articles of the Company.

### **12.3 Dissolution**

12.3.1 The Company may be dissolved by winding up in the way required by the law. If on the solvent dissolution or winding up of the Company there remain, after the satisfaction of all its debts and liabilities and the repayment of the paid-up share capital, any assets whatsoever, such assets shall be transferred to one or more societies which are:

12.3.1.1 registered as Community Interest Companies under the law;

12.3.1.2 have the same or similar provisions as regards surplus distribution on a dissolution or winding up as are contained in this Article; and

12.3.1.3 chosen by the Members at a Members' meeting.

## **13 SHARE CAPITAL**

13.1 The Company has ordinary shares of £1 each.

13.2 Only Staff Members may hold ordinary shares.

13.3 All ordinary shares shall be issued nil paid. No Staff Member may pay for any ordinary shares they hold unless called upon to do so by the Company in accordance with the Articles.

13.4 Subject to the Articles, but without prejudice to the rights attached to any existing share, the Company may issue shares with such rights or restrictions as may be determined by ordinary resolution. In particular the Company may issue Capital Funding Shares and the Directors may determine the terms and conditions of any such shares (including rights of redemption) provided that:



- 13.4.1 the shares can only be bought and held by members of the Company and are not transferable;
  - 13.4.2 no voting rights attach to the shares;
  - 13.4.3 interest not exceeding 2% per annum above clearing bank base rate may be paid on the shares:
  - 13.4.4 any payment of interest must be from trading surpluses and must not prejudice the long term interests of the Company, the need to maintain prudent reserves and the Company's primary commitment to community benefit;
  - 13.4.5 on the solvent dissolution or winding up of the Company, holders of the shares will have no financial entitlement beyond payment of outstanding interest approved by the Board and repayment of paid-up share capital.
- 13.5 Except as required by law, no person is to be recognised by the Company as holding any share upon any trust, and except as otherwise required by law or the Articles, the Company is not in any way to be bound by or recognise any interest in a share other than the holder's absolute ownership of it and all the rights attaching to it.
- 13.6 Legal and administrative provisions regarding the Company's share capital are set out in the Share Capital Schedule.
- 13.7 If a person ceases to be a Staff Member, the Company shall be deemed to have served a Forfeiture Notice on that person and they shall be deemed to have surrendered their ordinary share pursuant to the provisions in the Share Capital Schedule.

## **14 ADMINISTRATIVE**

### **14.1 Investments**

Subject to any restriction imposed by resolution of any Members' meeting, the Board of Directors may invest any part of the capital and funds of the Company in any manner which it may from time to time determine.

### **14.2 Books of Account**

The Board shall cause to be kept proper books of account with respect to the transactions of the Company, its assets and liabilities, and shall establish and maintain a satisfactory system of control of the books of account, the cash holdings and all receipts and remittances of the Company in accordance with the Act.

### **14.3 Treatment of Net Surplus**

The profits or surpluses of the Company shall not be distributed either directly or indirectly in any way whatsoever among Members, but shall be applied:

14.3.1 to maintain prudent reserves;

14.3.2 on expenditure in carrying out the Company's Objects.

This provision may not be altered or rescinded

#### **14.4 Settlement of Disputes**

Any dispute, between the Company or an officer of the Company on the one hand and a Member or a person who has for not more than six months ceased to be a Member on the other hand, as to the interpretation of or arising out of the Articles shall (except as otherwise provided in the Articles) be referred, in default of agreement between the parties to the dispute, to a person appointed by the President of the Chartered Institute of Arbitrators, on application by any of the parties. The person so appointed shall act as sole arbitrator in accordance with the Arbitration Act 1996 and such person's decision shall (including any decision as to the costs of the arbitration) be final.

#### **14.5 Secretary**

14.5.1 The Board of Directors appoints and may remove the Secretary.

14.5.2 The Secretary's role includes:

14.5.2.1 ensuring good information flows to the Board of Directors and the Members' Council;

14.5.2.2 through the Chair advising the Board of Directors and the Members' Council on governance matters; and

14.5.2.3 being accessible to all Directors and Council Members to ensure that procedures are being complied with.

14.5.3 The Secretary:

14.5.3.1 has the functions set out in the Articles and any other functions which the Board of Directors assigns;

14.5.3.2 acts as secretary to Committees of the Board of Directors, and subject to its approval, may appoint another person for those purposes;

14.5.3.3 acts as returning officer at, and is responsible for the conduct of, all elections described in the Articles, and

14.5.3.4 has absolute discretion to decide any issue or question which the Articles require the Secretary to decide.

#### **14.6 Register of Members**

The Company shall keep at its registered office a register of Members as required by the law. Any Member wishing to inspect the register (or any part of it) shall provide the

Company with not less than 14 days' prior notice given in writing (and any transmission of the notice by electronic mail or facsimile shall not satisfy the requirement that the notice be given in writing) to the Secretary at the Company's registered office.

#### **14.7 Copies of Articles and Regulations**

14.7.1 The Secretary will provide a copy of the Articles to any person who demands it, and may charge a sum (not exceeding ten pence or the maximum allowed by the law) for providing such a copy.

14.7.2 The Secretary will provide a copy of any Regulations referred to in the Articles to any Member who requests it and may charge a reasonable sum for doing so.

#### **14.8 Directors' and Officers' Indemnity**

Council Members, Directors and the Secretary who act honestly and in good faith will not have to meet out of their personal resources any personal civil liability which is incurred in the execution or purported execution of their functions, save where they have acted recklessly. Any costs arising in this way will be met by the Company. The Company may purchase and maintain insurance against this liability for its own benefit and for the benefit of Council Members and Directors and the Secretary.

### **15 INTERPRETATION**

15.1 The Articles should be read and understood on the basis of what is set out below:

15.1.1 words in the singular include the plural, and words in the plural include the singular;

15.1.2 any reference to legislation includes any subsequent enactments, amendments and modifications, or any subordinate legislation;

15.1.3 the section, Article and paragraph headings are inserted for convenience only and shall not affect the interpretation of the Articles.

15.2 The following words and phrases have the special meaning set out below:

**"2004 Act"** the Companies (Audit, Investigations and Community Enterprise) Act 2004.

**"2006 Act"** the Companies Act 2006, as amended or extended by any other enactment.

**"Articles"** the Company's Articles of Association.

**"Asset Locked Body"** a community interest company, charity or a Permitted Industrial and Provident Society or a body established outside the United Kingdom that is equivalent to any of those.

**“Board”** the Board of Directors comprised as set out in Article 10.1.1.

**“Company”** a company registered with limited liability under the Companies Act 2006 or any previous Companies Act, or under any law of the country where it is situated whereby it acquires the right of trading as a body corporate with limited liability.

**“Corporation”** a **Company** or any other body corporate.

**“Health Care Professional”** a person who is a member of a profession regulated by a body mentioned in section 25(3) of the National Health Service Reform and Health Care Professions Act 2002.

**“Permitted Industrial and Provident Society”** means an industrial and provident society which has a restriction on the use of assets in accordance with regulation 4 of the Community Benefit Societies (Restriction on Use of Assets) Regulations 2006 or regulation 4 of the Community Benefit Societies (Restriction on Use of Assets) Regulations (Northern Ireland) 2006.

**“Registered Volunteer”** means a person who undertakes defined unpaid activities that complement the work of primary health care teams and that contribute to the overall aims of the Company. Registered Volunteers are formally recruited and are subject to an organisational agreement.

**“Regulations”** the Community Interest Company Regulations 2005.

**“Regulator”** the Regulator of Community Interest Companies.

## SHARE CAPITAL SCHEDULE

### 16 SHARE CERTIFICATES

16.1 The Company must issue each shareholder, free of charge, with one or more certificates in respect of the shares which that shareholder holds.

16.2 Every certificate must specify:

16.2.1 in respect of how many shares, of what class, it is issued;

16.2.2 the nominal value of those shares;

16.2.3 that the shares are fully paid; and

16.2.4 any distinguishing numbers assigned to them.

16.3 No certificate may be issued in respect of shares of more than one class.

16.4 If more than one person holds a share, only one certificate may be issued in respect of it.

16.5 Certificates must be executed in accordance with the Companies Acts.

16.6 If a certificate issued in respect of a shareholder's shares is:

16.6.1.1 damaged or defaced; or

16.6.1.2 said to be lost, stolen or destroyed,

that shareholder is entitled to be issued with a replacement certificate in respect of the same shares.

16.7 A shareholder exercising the right to be issued with such a replacement certificate:

16.7.1 may at the same time exercise the right to be issued with a single certificate or separate certificates;

16.7.2 must return the certificate which is to be replaced to the Company if it is damaged or defaced; and

16.7.3 must comply with such conditions as to evidence, indemnity and the payment of a reasonable fee as the Directors decide.

### 17 SHARE TRANSFERS AND TRANSMISSION

17.1 Shares may be transferred by means of an instrument of transfer in any usual form or any other form approved by the Directors, which is executed by or on behalf of the transferor.

17.2 No fee may be charged for registering any instrument of transfer or other Document relating to or affecting the title to any share.

17.3 The Company may retain any instrument of transfer which is registered.

- 17.4 The transferor remains the holder of a share until the transferee's name is entered in the register of shareholders as holder of it.
- 17.5 Shares may not be transferred to any person who is not a Staff Member or is not eligible to be a Staff Member in accordance with Article 7.3.2.
- 17.6 The Directors may refuse to register the transfer of a share to a person of whom they do not approve.
- 17.7 They may also refuse to register the transfer unless it is lodged at the registered office of the Company or at such other place as the Directors may appoint and is accompanied by such evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, and by such other information, as they may reasonably require.
- 17.8 If the Directors refuse to register such a transfer, they shall, within two months after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal.
- 17.9 The provisions of this Article apply in addition to any restrictions on the transfer of a share which maybe set out elsewhere in the Memorandum or Articles of the Company.
- 17.10 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 the 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.
- 17.11 If title to a share passes to a transmittee, the Company may only recognise the transmittee as having any title to that share.
- 17.12 A transmittee who produces such evidence of entitlement to shares as the Directors may properly require:
- 17.12.1 may, subject to the Articles, choose either to become the holder of those shares or to have them transferred to another person; and
- 17.12.2 subject to the Articles, and pending any transfer of the shares to another person, has the same rights as the holder had.
- 17.13 But transmittees do not have the right to attend or vote at a general meeting, or agree to a proposed written resolution, in respect of shares to which they are entitled, by reason of the holder's death or bankruptcy or otherwise, unless they become the holders of those shares.
- 17.14 Transmittees who wish to become the holders of shares to which they have become entitled must notify the Company in writing of that wish.

- 17.15 If the transmittee wishes to have a share transferred to another person, the transmittee must execute an instrument of transfer in respect of it.
- 17.16 Any transfer made or executed under Articles 18.11 or 18.12 is to be treated as if it were made or executed by the person from whom the transmittee has derived rights in respect of the share, and as if the event which gave rise to the transmission had not occurred.
- 17.17 If a notice is given to a shareholder in respect of shares and a transmittee is entitled to those shares, the transmittee is bound by the notice if it was given to the shareholder before the transmittee's name has been entered in the register of shareholders.

## 18 LIEN

- 18.1 The Company has a lien (the "**Company's Lien**") over every Share, whether or not fully paid which is registered in the name of any person indebted or under any liability to the Company, for all monies payable by that person to the Company, whether payable immediately or at some time in the future.
- 18.2 The Company's Lien over a Share:
- 18.2.1 takes priority over any third party's interest in that Share; and
  - 18.2.2 (if the lien is enforced and the Share is sold by the Company) the proceeds of sale of that Share.
- 18.3 The Directors may at any time decide that a Share which is or would otherwise be subject to the Company's Lien shall not be subject to it, either wholly or in part.
- 18.4 Subject to the provisions of this Article, if:
- 18.4.1 a notice (a "**Lien Enforcement Notice**") has been given in respect of a share; and
  - 18.4.2 the person to whom that Lien Enforcement Notice was given has failed to comply with it;
- the Company may sell that share in such manner as the Directors decide.
- 18.5 A Lien Enforcement Notice:
- 18.5.1 may only be given in respect of a share which is subject to the Company's Lien, in respect of which a sum is payable and any due date for payment of that sum has passed;
  - 18.5.2 must specify the share concerned;
  - 18.5.3 must require payment of the sum payable within 14 days of the date of that Lien Enforcement Notice;

- 18.5.4 must be addressed either to the holder of the share or to a transmittee of that holder; and
- 18.5.5 must state the Company's intention to sell the share if that Lien Enforcement Notice is not complied with.
- 18.6 Where shares are sold under this Article 19:
  - 18.6.1 the Directors may authorise any person to execute a transfer form for the shares to the purchaser or a person nominated by the purchaser; and
  - 18.6.2 the transferee is not bound to see to the application of the consideration, and the transferee's title is not affected by any irregularity in or invalidity of the process leading to the sale.
- 18.7 The net proceeds of any sale of shares pursuant to this Article 19 (after payment of the costs of sale and any other costs of enforcing the Company's Lien) must be applied:
  - 18.7.1 first, in payment of so much of the sum for which the Company's Lien exists as was payable at the date of the Lien Enforcement Notice;
  - 18.7.2 second, to the person entitled to those shares at the date of the sale, but only after the certificate for the shares sold has been surrendered to the Company for cancellation or an indemnity (in a form reasonably satisfactory to the Directors) has been given for any lost certificates, and subject to a lien equivalent to the Company's Lien over those shares before the sale for any money payable in respect of those Shares.
- 18.8 A statutory declaration by a Director or the Secretary that the declarant is a Director or the Secretary and that a share has been sold to satisfy the Company's Lien on a specified date:
  - 18.8.1 is conclusive evidence of the facts stated in it as against all persons claiming to be entitled to that share; and
  - 18.8.2 subject to compliance with any other formalities of transfer required by these articles or by law, constitutes a good title to that share.

## 19 CALL AND FORFEITURE

- 19.1 Subject to these articles and the terms on which shares are allotted, the Directors may send a notice (a "**Call Notice**") to a shareholder requiring the shareholder to pay the Company a specified sum of money (a "**Call**") which is payable to the Company at the date when the Directors decide to send the Call Notice.
- 19.2 A Call Notice:



- 19.2.1 may not require a shareholder to pay a Call which exceeds the total sum unpaid on that shareholder's shares (whether as to the share's nominal value or any amount payable to the Company by way of premium);
  - 19.2.2 must state when and how any Call to which it relates it is to be paid; and
  - 19.2.3 may permit or require the Call to be paid by instalments.
- 19.3 A shareholder must comply with the requirements of a Call Notice, but no shareholder is obliged to pay any Call before 14 days have passed since the Call Notice was sent.
- 19.4 Before the Company has received any Call due under a Call Notice the Directors may:
- 19.4.1 revoke it wholly or in part; or
  - 19.4.2 specify a later time for payment than is specified in that Call Notice;
- by a further notice in writing to the shareholder in respect of whose shares the Call is made.
- 19.5 Liability to pay a Call is not extinguished or transferred by transferring the shares in respect of which it is required to be paid.
- 19.6 Subject to the terms on which shares are allotted, the Directors may, when issuing shares, provide that Call Notices sent to the holders of those shares may require them:
- 19.6.1 to pay Calls which are not the same; or
  - 19.6.2 to pay Calls at different times.
- 19.7 A Call Notice need not be issued in respect of sums which are specified, in the terms on which a share is issued, as being payable to the Company in respect of that share:
- 19.7.1 on allotment;
  - 19.7.2 on the occurrence of a particular event; or
  - 19.7.3 on a date fixed by or in accordance with the terms of issue.
- 19.8 If the due date for payment of a sum referred to in Article 20.7 has passed and it has not been paid, the shareholder concerned is treated in all respects as having failed to comply with a Call Notice in respect of that sum, and is liable to the same consequences as regards the payment of interest and forfeiture.
- 19.9 If a person is liable to pay a Call and fails to do so by the Call Payment Date the Directors may issue a notice of intended forfeiture (a "**Forfeiture Notice**") to that person; and
- A Forfeiture Notice:
- 19.9.1 may be sent in respect of any share in respect of which a Call has not been paid as required by a Call Notice;

- 19.9.2 must be sent to the holder of that share or to a transmittee of that holder;
  - 19.9.3 must require payment of the Call and all reasonable expenses that may have been incurred by the Company by reason of such non-payment by a date which is not less than 14 days after the date of that Forfeiture Notice;
  - 19.9.4 must state how the payment is to be made; and
  - 19.9.5 must state that if that Forfeiture Notice is not complied with, the shares in respect of which the Call is payable will be liable to be forfeited.
- 19.10 If a Forfeiture Notice is not complied with before the date by which payment of the Call is required in that Forfeiture Notice, the Directors may decide that any share in respect of which it was given is forfeited, and the forfeiture is to include all dividends or other moneys payable in respect of the forfeited shares and not paid before the forfeiture.
- 19.11 Subject to these articles, the forfeiture of a share extinguishes:
- 19.11.1 all interests in that share, and all claims and demands against the Company in respect of it; and
  - 19.11.2 all other rights and liabilities incidental to the share as between the person whose share it was prior to the forfeiture and the Company.
- 19.12 Any share which is forfeited in accordance with these Articles:
- 19.12.1 is deemed to have been forfeited when the Directors decide that it is forfeited;
  - 19.12.2 is deemed to be the property of the Company; and
  - 19.12.3 may be sold, re-allotted or otherwise disposed of as the Directors think fit.
- 19.13 If a person's shares have been forfeited:
- 19.13.1 the Company must send that person notice that forfeiture has occurred and record it in the register of members;
  - 19.13.2 that person ceases to be a shareholder in respect of those shares;
  - 19.13.3 that person must surrender the certificate for the shares forfeited to the Company for cancellation;
  - 19.13.4 that person remains liable to the Company for all sums payable by that person under these articles at the date of forfeiture in respect of those shares, including any interest (whether accrued before or after the date of forfeiture); and
  - 19.13.5 the Directors may waive payment of such sums wholly or in part or enforce payment without any allowance for the value of the shares at the time of forfeiture or for any consideration received on their disposal.

- 19.14 At any time before the Company disposes of a forfeited share, the Directors may decide to cancel the forfeiture on payment of all Calls and interest and expenses due in respect of it and on such other terms as they think fit.
- 19.15 If a forfeited share is to be disposed of by being transferred, the Company may receive the consideration for the transfer and the Directors may authorise any person to execute the share transfer form.
- 19.16 A statutory declaration by a Director or the company secretary that the declarant is a Director or the company secretary and that a share has been forfeited on a specified date:
- 19.16.1 is conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the share; and
- 19.16.2 subject to compliance with any other formalities of transfer required by these articles or by law, constitutes a good title to the share.
- 19.17 A person to whom a forfeited share is transferred is not bound to see to the application of the consideration (if any) nor is that person's title to the share affected by any irregularity in or invalidity of the process leading to the forfeiture or transfer of the share.
- 19.18 If the Company sells a forfeited share, the person who held it prior to its forfeiture is entitled to receive from the Company the proceeds of such sale, net of any commission, and excluding any amount which:
- 19.18.1 was, or would have become, payable; and
- 19.18.2 had not, when that share was forfeited, been paid by that person in respect of that share;
- but no interest is payable to such a person in respect of such proceeds and the Company is not required to account for any money earned on them.

## 20 SURRENDER

- 20.1 A shareholder may surrender any share:
- 20.1.1 in respect of which the Directors may issue a Forfeiture Notice;
- 20.1.2 which the Directors may forfeit; or
- 20.1.3 which has been forfeited.
- 20.2 The Directors may accept the surrender of any such share.
- 20.3 The effect of surrender on a share is the same as the effect of forfeiture on that share.
- 20.4 A share which has been surrendered may be dealt with in the same way as a Share which has been forfeited.