

**ALL PREVIOUS RULES RESCINDED**

**THE PHONE CO-OP LIMITED**

# **Rules**



**Reg. No. 28,965 R**

**RULES  
OF  
THE PHONE CO-OP LIMITED  
2009**

**Registered Office:** 5 Millhouse, Elmsfield Business Centre,  
Worcester Road, Chipping Norton,  
Oxfordshire, OX7 5XL

## All Previous Rules Rescinded

### INTERPRETATION

**1. Interpretation** – In these rules, including this rule, except where the context otherwise requires -

- (a) Words importing the singular or plural include the plural or singular respectively;
- (b) “the Act” means the Industrial and Provident Societies Act, 1965, as amended by any subsequent enactments;
- (c) “society” means any society registered under the Act;
- (d) “he/she”, “him/her”, “his/hers”, and “person” include a society or other corporate body;
- (e) “Registrar” and “Chief Registrar” shall have the same meaning as in the Act;
- (f) “the Society” means the Society named in these rules and where the context so requires or admits shall include any society or company which is a subsidiary of the Society within the meaning of Section 15 of the Friendly and Industrial and Provident Societies Act 1968 as amended by any subsequent enactments;
- (g) “the Board” means the Board of Directors of the Society;
- (h) “these rules” or “the rules” means the registered rules for the time being of the Society;
- (i) “officer” shall include any Chairperson or Director elected or appointed by the members, together with the Chief Executive, and the Secretary of the Society;
- (j) “Treasury Regulations” means the regulations for the time being in force made by the Treasury under the Act.
- (k) Any reference to the Chief Registrar, Registrar, Central Office, Assistant Registrar (for Scotland) or the Registry of Friendly Societies includes reference to the statutory successor carrying on the relevant functions of any of them.

### NAME AND REGISTERED OFFICE

**2. Name and Registered Office of the Society** – The name of the Society shall be The Phone Co-op Limited, and its registered office shall be 5 The Millhouse, Elmsfield Business Centre, Worcester Road, Chipping Norton, Oxfordshire, OX7 5XL.

**3. Change of Registered Office** – The registered office may be changed by resolution of the Board and notice of any such change shall be sent by the Secretary to the Registrar within 14 days thereof in manner and form prescribed by Treasury Regulations.

**4. Use of Name of the Society** – The name of the Society shall be mentioned in legible characters in all business letters of the Society, notices, advertisements, and official publications, bills of exchange, promissory notes, endorsements, cheques, or orders for money or goods purporting to be signed by or on behalf of the Society, and on all bills, invoices, receipts, or letters of credit of the Society, and shall be conspicuously painted or affixed, and kept painted or affixed, in letters easily legible, on the outside of every office or place of business of the Society.

## OBJECTS

**5. Objects of the Society** – The objects of the Society shall be:

- (a) To procure for its members quality low cost telecommunications and other services. To strengthen the position of its members by combining their buying power through joint purchasing of supplies and services and by organising purchases in such a way as to raise funds for Co-operatives, or charitable, mutual or non-profit organisations or social enterprises..
- (b) To foster and support the principles and practice of Co-operation and common ownership in its affairs and in industry and commerce generally and to support the wider Co-operative Movement.
- (c) To carry on the business as a bona fide Co-operative and to carry on any other trade, business or service as principals or agents which may seem to the Society to be conducive to its interests generally.

In carrying out the aforementioned objects the Society shall have regard to the well-being of the local, national and international community and the environment.

The Society shall at all times conduct its business and affairs in accordance with the Co-operative principles as published from time to time by the International Co-operative Alliance.

## POWERS

**6. General Powers** – The Society shall have full power to do all things necessary or expedient for the accomplishment of all its objects, including the power to purchase, hold, sell, mortgage, rent, lease, or sub-lease lands of any tenure, and to erect, pull down, repair, alter or otherwise deal with any building thereon.

The Society shall also have the power to enter into block discounting transactions and upon such terms and conditions as the Board thinks fit to enter into any guarantee, contract of indemnity or suretyship, whether by personal covenant or by mortgage or charge on all or any part of the undertaking, property or assets of the Society or partly in one way and partly in the other and in particular (but without prejudice to the generality of the foregoing) with or without consideration to guarantee or give security as aforesaid for the payment without limit of any principal monies, premiums, interest and other monies secured by or payable under any obligations or securities including particularly obligations or securities of any society which holds ordinary shares in the Society or which is a subsidiary of the Society, and of any company which is a subsidiary of the Society.

Without prejudice to the generality of the foregoing the Society shall have the:

- (a) power to establish joint ventures with other parties (whether incorporated or unincorporated), and to provide business management services; and
- (b) power to establish a pension or superannuation scheme for the benefit of its employees and to pay contributions thereto and to enter into any contract or trust deed for this purpose.
- (c) power to undertake and perform the duties of trustee of any trust for employee share ownership established by The Phone Co-op Limited for the benefit of

employees of The Phone Co-op Limited or any subsidiary society or company of The Phone Co-op Limited, and to comply with the terms of any trust deed and rules establishing such trust, including for these purposes undertaking and executing any trusts or discretions, deeds, contracts or agreements, the distribution amongst the participants, employees, pensioners or other persons entitled of any income, shares or capital, and whether in money or specie, in furtherance of any discretion, obligation or permission, to acquire or purchase, hold, deal with, manage, sell, exchange, charge, transfer, dispose of, or grant any right or interest in or over any shares in The Phone Co-op Limited, and in the matters and for these purposes to act solely or jointly with any person, or any other corporation or body registered under the Act.

## **FEDERATION**

**7. Federation** – The Society shall be and will remain a member of Co-operatives UK Limited.

## **MEMBERSHIP**

**8. Who are Members** – The Society shall consist of all persons who hold at least the number of ordinary shares required to be held by Rule 9, whether singly or jointly. The Society shall not accept any new applications for joint membership.

**9. Shares to be held by Members** – Every member shall hold at least one fully paid ordinary share of either the ordinary Pound share category or the ordinary Euro share category and no member other than a society shall have an interest in the shares of the Society exceeding such amount as may be prescribed in the law applicable to Industrial and Provident Societies for the time being in force.

**10. Application for Membership** – Subject as hereinafter mentioned the Board shall prescribe procedures for the submission, consideration and determination of all applications for membership of the Society. Each application for membership shall be submitted in writing in such form as the Board may prescribe and shall contain an application for at least one fully paid ordinary share. The application for the ordinary share shall state whether it is an application for an ordinary Pound share or for an ordinary Euro share. The Board shall have full power in its absolute discretion to accept or refuse any application for membership and without prejudice to the generality of the foregoing may in their determination of applications take into consideration (inter alia) an applicant's current and likely participation in the business and activities of the Society and their current and anticipated support for and adherence to Co-operative principles. The Board may delegate the consideration and determination of membership applications to the Chief Executive and other senior managers appointed under him/her or to committees as they shall think fit, who shall act under the direction and control of and conform in all respects to the instructions given to them by the Board with particular reference to the implementation of all aspects of membership determined by the Board. The Board shall not be required to state reasons for the deferral or refusal of any application.

The Board may admit to membership any person or corporate body or the nominee of any unincorporated organisation or firm which wishes to use the services of the Society, and has agreed to pay to the Society any fee or other monies due for the use of such services.

By becoming or remaining a member, a member agrees to be bound by these rules, and agrees that the details listed in the register of members in accordance with rule 14(a) are available for inspection and available to be copied manually by other members provided that the use of such information is only used in connection with

the business of the Society. The Society shall use reasonable endeavours to ensure that a member who makes such manual copies shall only use them in connection with the business of the Society, and shall be entitled to seek full recovery, without limitation, from any member who fails to adhere to the provisions of this Rule, of all claims and/or costs arising from such failure.

- 11. Application Fee** – An application fee for membership of the Society shall not be required.
- 12. Admission of Minors** – A minor not under the minimum age permitted by the Act may be admitted as a member, and execute all instruments and give all receipts or discharges necessary to be executed or given under the rules, but may not be an officer of the Society.
- 13. Cessation of Membership** – A member shall cease to be a member if he/she or it:
- (a) ceases to hold at least the number of ordinary shares required to be held by virtue of Rule 9; or
  - (b) is wound up or goes into liquidation (if a corporate body) or is the nominee of an unincorporated organisation or firm which is wound up or goes into liquidation; or
  - (c) is the nominee of an unincorporated organisation or firm which removes or replaces him/her as its nominee.

#### **REGISTER OF MEMBERS**

**14. Duty to keep Register** – The Society shall keep at its registered office a register of members (in these rules referred to as “the register”) in which the Secretary shall enter the following particulars -

- (a) The names and addresses of the members;
- (b) a statement of the number and classes of shares held by each member, of the amount paid, or agreed to be considered as paid, on the shares of each member, of the currency in which the shares of each member are held, and of the date and manner in which any share ceased to be held by any member;
- (c) a statement of other property in the Society, whether in loans, deposits, or otherwise held by each member;
- (d) the date at which each person was entered in the register as a member, and the date at which any person ceased to be a member;
- (e) the names and addresses of the officers of the Society, with the offices held by them respectively, and the dates on which they assumed office.

**15. Construction of Register** – The Society shall either -

- (a) Keep at its registered office a duplicate register containing the particulars in the register kept under Rule 14 above other than those entered under Clauses (b) and (c) of that rule; or
- (b) so construct the register kept under Rule 14 above that it is possible to open to inspection the particulars therein other than the particulars entered under the said Clauses (b) and (c) of Rule 14 without exposing those last mentioned particulars.

- 16. Change of Address and Serving of Notices** – Any member changing his/her residence shall, within one calendar month thereafter, give notice thereof at the registered office of the Society, when the necessary alterations shall be made in the register of members. The society shall take all reasonable steps to ensure the Register of Members is as accurate as possible and shall undertake to review and confirm data prior to taking any action under rule 27.

#### **SHARE CAPITAL**

- 17. Value of Shares** – The ordinary shares of the Society shall be divided into two categories, ordinary Pound shares and ordinary Euro shares. Ordinary Pound shares shall have the nominal value of one Pound and ordinary Euro shares shall have the nominal value of one Euro. Ordinary shares shall be withdrawable only and (except as provided for in Rule 36 and 17a) not transferable.

(a) Classes of shares. In addition to ordinary shares, the Board shall have the power to create and issue additional classes of shares, which may be withdrawable or transferrable, and which may carry various levels of risk, and may benefit from such rates of interest as may be determined by the Board from time to time. Any shares issued under this rule 17(a) may be issued in either Pounds or Euros. The interest payable on such shares may be cumulative or otherwise as the Board shall stipulate. The Board may determine that the different classes of share capital shall rank in a particular order in the event of dissolution. The characteristics of, and the conditions applying to, each class of shares shall be determined at the time the class of shares is created, and, once such shares have been issued, the Board shall not change these characteristics or conditions, without the approval of a Special Meeting. No shares, other than ordinary shares, shall confer voting rights, and nothing in this Rule is intended to supersede the provisions of Rules 8,9 and 50.

- 18. Payment of Ordinary shares** – Ordinary shares shall be paid for in full on allotment.

**19. Allotment of Shares** – A member may not hold both ordinary Pound shares and ordinary Euro shares. The Board shall allot to members upon their admission the ordinary share or shares for which they have applied, and shall allot from time to time any share or shares subsequently applied for. The total number of ordinary Pound shares allotted to any member other than a society shall not together with any ordinary Pound shares already held by him/her exceed in nominal value the sum prescribed in the law applicable to Industrial and Provident Societies for the time being in force. The total number of ordinary Euro shares allotted to any member other than a society shall not together with any ordinary Euro shares already held by him/her exceed in nominal value the sum of 10,000 Euros.

- 20. Ordinary shares may be held Jointly** – Ordinary shares may be held jointly by two or more members. A notice required to be given in relation to any ordinary share or ordinary shares which are so held shall be given to such one of their number as they may jointly direct in writing or, in default of such direction, to the one whose name precedes the names of the others as joint holders in the register of members. An application for the withdrawal of any ordinary shares held jointly shall be made by all the joint holders who alone shall be able to give a valid receipt for any share capital repaid. Any one of the joint holders of a ordinary share or ordinary shares may give a valid receipt for the payment of any interest or dividend payable thereon.

**21. Compulsory Repayment of Shares** – Subject to the payment of, or a sufficient provision for, all subsisting claims on the Society, the Board, with the approval of a meeting of members, may apply any monies for which they cannot find profitable investment in repaying to the member or members who holds or hold the largest number of shares the amount paid up or credited on that number of shares by which the number of shares held by such member or members exceeds the number of shares held by the member or members who holds or hold the next

largest number of shares; provided that no such repayment shall be made so as to reduce the number of ordinary shares held by any member below the number he/she is required to hold by virtue of Rule 9. Any share in respect of which the amount paid up or credited has been repaid shall be cancelled.

**22. Notice of Compulsory Repayment** – Where repayment is to be made in accordance with the preceding rule, notice thereof shall be given to the member stating the date on which repayment is to be made and no interest shall be payable on any amount so to be repaid after the date for repayment stated in the notice.

**23. Interest** – Interest shall be calculated and paid in such manner as shall be prescribed by the Board of Directors.

**24. Withdrawal of Ordinary shares** – Subject to Clauses (d) and (e) below, ordinary shares may be withdrawn by members upon giving one week's notice to the Society:

Provided that -

- (a) All withdrawals shall be paid in the order in which the notices were received by the Society.
- (b) Except where a member withdraws from the Society as provided for in Rule 26, a member shall not be entitled to withdraw ordinary shares so as to leave him/her with less than the number of ordinary shares he/she is required to hold by virtue of Rule 9.
- (c) The Board may waive any notice required for a withdrawal and may direct payment to be made without notice or on such shorter notice as they consider fit.
- (d) The right to withdraw may by resolution of the Board be suspended either wholly or partially and either indefinitely or for a fixed period. The suspension shall extend and apply to all notices of withdrawal which have been received and remain unpaid at the time the resolution suspending the right to withdraw is passed by the Board. Where the suspension is for a fixed period such period may be extended from time to time by a resolution of the Board.
- (e) During any period when the right of withdrawal has been suspended under Clause (e) above, the shares of a deceased member may, if the Board so determines, be withdrawn by his/her legal personal representative upon giving such notice as the Board may require and subject as regards the amount payable on withdrawal to such deduction therefrom as the Board may from time to time determine.
- (f) The amount to be paid to a member on withdrawal shall be the amount paid up or credited on the ordinary share to be withdrawn.
- (g) The conditions, and terms under which shares, other than ordinary shares, issued pursuant to Rule 17 (a) may (if applicable) be withdrawn, shall be determined by the Board at the time the class of shares is created, and shall be made known to all members applying to hold such shares.
- (h) Withdrawals of ordinary Pound shares shall be paid to members in Pounds, and withdrawals of ordinary Euro shares shall be paid to members in Euros.

25. **Cancellation of Withdrawn Shares** – Any ordinary share withdrawn in accordance with the foregoing rule shall be cancelled.
26. **Withdrawal from Society** – A member may withdraw from the Society by withdrawing all his/her ordinary shares in the Society in accordance with Rule 24 or, if the right to withdraw ordinary shares has been suspended as provided for in that rule, by surrendering all his/her ordinary shares to the Society.

Upon such surrender the Directors may in their discretion pay up to the withdrawing member any amount not exceeding the amount paid up or credited in the ordinary shares surrendered.

27. **Cancellation and Forfeiture of Ordinary shares** –

- (a) Where it appears to the Board that a member has not within the immediately preceding period of two years made purchases from or traded with the Society, then the Society may at the absolute discretion of the Board subject to Clauses (b) and (d) of this rule, cancel his/her ordinary shares and forfeit to the Society the amount standing to the credit of such member in the ordinary share ledgers of the Society together with any sum of money representing interest or dividend credited to the member in the books of the Society in respect of his/her ordinary shares.
- (b) The Society shall not cancel or forfeit any sums under any clause of this rule unless it has given at least 2 calendar months previous notice to the member stating that it is proposed to cancel his/her ordinary shares and specifying the sums to be forfeited to the Society, and unless the member shall fail within 2 calendar months to show cause to the satisfaction of the Board why his/her ordinary shares should not be so cancelled and forfeited.
- (c) A notice under any provisions of this rule shall be sent to the member by pre-paid ordinary letter post at his/her registered or last known postal address if known and shall include a statement to the effect that if the member objects to the cancellation and forfeiture of his/her ordinary shares he/she should within 2 calendar months show cause to the satisfaction of the board why his/her ordinary shares should not be so cancelled and forfeited. In the case of any member or members for whom no registered or last known postal address is held, notice shall be given by electronic mail or a public notice advertised once on the Society's website, including a statement in the terms aforesaid.

## **LIEN ON SHARES**

28. **Lien of the Society on Shares** – The Society shall have a lien on the shares of a member for any debt due to it by the member, and may set off any sum standing to the member's credit including any loan money, interest and dividends in or towards the payment of such debt.

## **BORROWING POWERS**

29. **Power to obtain Advances** – The Society may upon such terms and conditions as the Board thinks fit obtain from time to time advances of money for the purposes of the Society and mortgage or charge any of its property and issue debentures and other securities; provided that the amount of money advanced for the time being remaining undischarged shall not at any time exceed the sum of £10,000,000.

**30. Interest Payable on Advances** – The interest payable on advances, other than advances on bank overdraft or from a finance house, and loans secured by mortgage or charge shall not exceed a rate equivalent to 3 per cent per annum above the The Co-operative Bank plc base rate or 5 per cent per annum whichever is the higher. In this rule "The Co-operative Bank plc base rate" means The Co-operative Bank plc base rate at the time of making the advance or at such time within the 2 years prior to the making of the advance or, in the case of an advance which is renewed after becoming repayable, within 2 years prior to its renewal (if renewed more than once) as the Board determines.

**31. Charges on Society's Property** – Charges or debentures may contain a fixed charge upon any property of the Society specified therein and/or a floating charge upon its undertaking and all its property and assets both present and future, and a separate register shall be kept of all such charges and debentures.

**32. Continuing Security to Bankers** – A debenture or other security may be issued, or mortgage or charge given, as a continuing security to cover any sum due or to become due upon the account of the Society to any person with whom it may transact banking business but not exceeding the amount up to which the Society may obtain advances.

**33. Deposits** – The Directors may receive from any persons, whether members or not, sums on deposit, withdrawable on not less than two clear days' notice, not exceeding in total the amount prescribed in the law applicable to Industrial and Provident Societies for the time being in force.

## **INVESTMENTS**

**34. Power to Invest Capital** – The capital of the Society may be invested -

- (a) In advances to members or others on the security of real or personal property;
- (b) in or upon any of the securities or shares specified in Section 31 of the Act;
- (c) in the capital of any limited partnership formed under the Limited Partnerships Act 1907 and registered under the Companies Act 1985; and also
- (d) in the capital of any unincorporated partnership or quasi-partnership or in any joint purse arrangement or other co-operative joint venture or research and development project or joint venture of whatsoever nature and wheresoever situate and whether involving liabilities or not and whether producing income or not, upon such terms and conditions as the Board of Directors in their absolute discretion think fit, to the intent that the Board shall have the same powers in all respects as if they were absolute owners beneficially entitled;

but not otherwise.

**35. Power to vote in respect of Investments and Membership** – The Board may appoint a representative to act on behalf of the Society in relation to any other body corporate or unincorporated association or partnership in the shares or on the security of which the Society has invested any part of its capital, or of which the Society is a member or partner, although the person appointed is not a shareholder or member in such other body corporate, unincorporated association or partnership.

## **TRANSMISSION OF INTEREST IN SOCIETY**

**36. Nominations** – A member may in accordance with the Act nominate any person or persons to whom (subject to the provisions of the Act as to amount and the persons to whom a valid nomination may be made) any of his/her property in the Society at the time of his/her death shall be transferred.

On receiving satisfactory proof of death of a member who has made a nomination the Board shall if and to the extent that the nomination is valid under the Act either transfer or pay in accordance with the Act the full value of the property comprised in the nomination to the person entitled thereunder.

Upon a claim being made by the legal personal representative of a deceased member or the trustee in bankruptcy of a bankrupt member to any property in the Society belonging to the deceased or bankrupt member the Board shall transfer or pay such property to which the legal personal representative or trustee in bankruptcy has become entitled as the legal personal representative or trustee in bankruptcy may direct them.

Subject to the provisions in the last sentence of this paragraph, where in the case of a member or person claiming through such a member, the Board of the Society is satisfied after considering medical evidence that such member or person is incapable through disorder or disability of mind of managing his/her own affairs and are also satisfied that no person has been duly appointed to administer his/her property on his/her behalf and it is proved to the satisfaction of the Board that it is just and expedient so to do, the Society may pay the amount of any shares (such amount to be paid in the currency in which the shares in question are held), loans and deposits belonging to such member or person to any person whom they shall judge proper to receive it on his/her behalf, whose receipt shall be a good discharge to the Society for any sum so paid. The foregoing shall not apply when such member or person is a patient within the meaning of Part VII of the Mental Health Act, 1983, or is a person as to whom powers are exercisable and have been exercised under Section 98 of that Act.

**37. Fee on Nomination, Revocation, or Variation** – The Board may charge £10 for the recording of every nomination, revocation, or variation, whether or not accompanied by a fresh nomination.

**38. Joint Holders of Shares** – On the decease of a joint holder of any share, it shall be registered in the name of the survivor or survivors.

## MEETINGS

**39. Meetings** – Meetings of the Society shall be either ordinary meetings or special meetings. Every member who under Rule 50 has a vote (including the deputy of a society or other corporate body) shall be entitled to attend such meetings on the production of such evidence as the Board may from time to time determine.

**40. Ordinary Meetings** – The Society shall in each year hold one ordinary meeting, to be called the annual meeting.

**41. Business of Ordinary Meetings** – An ordinary meeting may transact the following business -

- (a) The consideration of the accounts, balance sheets, and the reports of the Board and of the auditor and the application of the profits;
- (b) the appointment of the Directors, and the fixing of their remuneration;
- (c) the appointment of the auditor;

- (d) any other matter of which at least 21 clear days' written notice has been given to the Secretary by a member, provided always that the Board shall have in its and the Secretary's reasonable opinion the discretion not to include such a motion if -
- (i) the publicity for it would be likely to diminish substantially the confidence in the Society of investing members of the public; or
  - (ii) it seeks needless publicity for defamatory matters; or
  - (iii) it is submitted for frivolous or vexatious purposes; or
  - (iv) it concerns matters relating to the day to day management of the Society falling properly within the discretion of the Board; or
  - (v) it does not relate directly to the affairs of the Society; or
  - (vi) it is in substantially the same terms as any motion which has been defeated at any meeting of the Society held during the preceding 2 years.

Any amendments to proposals appearing on the notice convening a meeting shall be submitted in writing to the registered office not less than 14 clear days before the date of the meeting.

- 42. Place of Ordinary Meetings** – An ordinary meeting may from time to time fix the place at which ordinary meetings are to be held and if no such place is fixed such meetings shall be held at the registered office or at such other place as the Board determines, and if the Board so directs members may participate at any such meeting by means of telephone conference, electronic mail conference, or facsimile conference facilities.
- 43. Special Meetings** – Special meetings shall be convened by the secretary, either on an order of the Board, or upon a written requisition signed by 50 members, save that a members' requisition for a special meeting at which a special resolution for any purpose specified in Rule 97 or any resolution for the solvent dissolution of the Society is to be proposed, shall be signed by at least 500 members, all of whom shall have been members for at least six months at the date of submitting the requisition. Special meetings shall be held as soon as is reasonable after the receipt of the order or delivery of the requisition at such time and place or in such other way as ordinary meetings are held as the Board shall determine. A requisition must state the objects of the meeting and must contain the full names, addresses and ordinary share numbers of each requisitionist and must be delivered at the registered office of the Society by one of the requisitionists or by generally accepted postal procedures.
- 44. Failure to Convene Special Meetings** – If after the expiration of 14 clear days from the delivery at the registered office of any such written requisition for a special meeting as is referred to in the preceding rule the Secretary has failed to convene the special meeting any of the requisitionists may convene a special meeting by giving the notice provided for in Rule 46 and shall have a claim upon the Society for any costs properly incurred in giving such notice.
- 45. Business of Special Meetings** – A special meeting shall not transact any business not specified in the notice convening it. An ordinary meeting may be made a special meeting for any purpose of which due notice has been given, provided that such business is not brought on until the business of the ordinary meeting is concluded.

**46. Notice Convening Meetings** – A general meeting shall be convened by at least twenty eight days' notice unless all members of the Society agree to hold a general meeting with shorter notice. Notices of meetings shall be given by notices displayed conspicuously at the registered office and in any other places of business of the Society to which members have access. In addition, notices may also be given to members personally or posted to them at their registered address or last known address or given by electronic mail or by facsimile, or on the Society's website. Notices shall specify the time, date and place at which the meeting is to be held, and the business which is to be transacted at that meeting. A general meeting shall not transact any business other than that specified in the notices calling the meeting.

**47. Quorum of Meetings** – Any ordinary meeting or any special meeting convened on the requisition of the members for any purpose specified in Rule 97 or at which a resolution for the rescission or alteration of this rule or Rules 43, 95 or 98 or for the solvent dissolution of the Society is to be proposed, may only proceed to business if a quorum of at least 250 members or 10% of the total membership of the Society (as recorded in the Society's last Annual Return) if greater, all entitled to vote, is personally and physically present at the meeting within half an hour after the time fixed for the meeting. Members participating in any such meeting by electronic mail or telephone shall not be included for the purpose of ascertaining whether a quorum is present.

Except as aforesaid a meeting may proceed to business if a quorum is present within half an hour after the time fixed for the meeting; otherwise the meeting, if a special meeting convened on the requisition of the members, shall be dissolved, but if an ordinary meeting or a special meeting convened by order of the Board, shall stand adjourned to the same day in the week following, at the same time and place, and the meeting so adjourned may proceed to business whatever is the number of members present. No meeting shall become incompetent to transact business from the want of a quorum arising after the chair has been taken. Except as aforesaid twelve members (including deputies of societies or other corporate bodies) having a vote and participating in the meeting, including by electronic mail or telephone, shall be a quorum.

**48. Power of Adjournment** – Any meeting, duly constituted, may adjourn to such place, time, and day within 30 days as the members present direct, and may continue any such adjournment from time to time. No business shall be transacted at any adjourned meeting which could not have been transacted at the meeting from which the adjournment took place; and the same notice shall be given of any meeting adjourned for more than 14 days, as is required in the case of an original meeting.

**49. Chairperson of Meetings** – Every meeting shall have a chairperson, who in the event of an equality of votes shall have a second or casting vote. The Chairperson of the Society shall, if present, take the chair at any meeting, or, if there is no Chairperson, or if he/she is not present, the chair shall be taken by the Vice-Chairperson, or if he/she is not present, by such Director, or if no Director is present, by such member as the meeting may determine.

**50. Votes of Members** – Every member shall be entitled to cast one vote. Members holding ordinary shares jointly shall have one vote between them which may be exercised by such one of their number as they may determine by appointment in writing to be delivered at the registered office of the Society not less than 24 hours before the meeting at which the vote is to be exercised, or in default thereof by such one of their number as appears first by name in the register of members. A society or other corporate body may exercise its vote by its deputy appointed as hereinafter provided.

**51. How Votes shall be Taken** – At any meeting a resolution put to the vote shall be decided on a show of hands or in such other manner as determined by the Board unless a ballot is demanded by the Board, or by ten members participating in the meeting, including members participating by electronic mail or telephone (except where a member's personal physical presence at a meeting is required for the purposes of Rule 47).

If a secret ballot is duly demanded it shall be taken in such a manner as the Chairperson directs, provided that no member shall have more than one vote, and the result of the ballot shall be deemed to be the resolution of the meeting at which the ballot was demanded.

The demand for a secret ballot shall not prevent the continuance of a meeting for the transaction of any other business than the question upon which a ballot has been demanded. The demand for a secret ballot may be withdrawn.

Subject to any special provision contained in these rules or an Act of Parliament all resolutions shall be carried by a simple majority of votes.

- 52. Appointment and Powers of Deputies** – A member, being a society or other corporate body, may by resolution of its directors or committee of management appoint any person as deputy to act on its behalf at any meeting or meetings of the Society and provided that a copy of such resolution signed by the secretary and two directors or members of the committee of management of the society or other corporate body making the appointment has been delivered to the Society at least 24 hours before the holding of the meeting or meetings at which he/she is to act as deputy he/she shall be competent during the continuance of his/her appointment to act as if he/she were a member. The appointment of a deputy shall be taken to continue until a copy of a resolution appointing another person as deputy in his/her stead is delivered as aforesaid.

The Society may invite other persons who are not members to attend general meetings, with or without speaking rights and without voting rights.

**53. Standing Orders** – Standing Orders for the conduct of meetings and for the closure of business thereat may be made by the Board and subject to any resolution passed at an ordinary meeting such Standing Orders shall be binding on all members and their representatives.

## **CORPORATE GOVERNANCE**

- 54. The Board of Directors** – The governance of the Society shall be vested in a Board of Directors comprising seven Directors who shall each normally serve for a term of three years.

Elections shall be held annually at or immediately prior to the annual meeting under such arrangements as shall be determined by the Board which may include distance voting, such as postal, internet or telephone voting. The Secretary shall be the returning officer for all elections and in that capacity shall have the power to determine all questions arising in the course of elections in his/her sole and absolute discretion.

The following transitional arrangements shall apply: at the expiry of the terms of office of three directors in February 2007, two directors shall be elected to serve for three years and one director shall be elected to serve for two years. At the expiry of the terms of office of four directors in February 2008, three directors shall be elected to serve for three years and one director shall be elected to serve for one year.

The Board shall have the general control and direction of the affairs of the Society and without prejudice to the generality of the foregoing shall more particularly undertake and exercise the following specific duties and responsibilities, namely -

- (a) To define the Society's objectives within the framework of the rules and to develop policies and strategies to achieve those objectives.
- (b) To direct the business of the Society and to exercise on behalf of the Society all the powers of the Society not specifically required by the rules or otherwise to be exercised by the members in meeting.
- (c) To ensure the effective accountability of management in following the policies developed by the Board.
- (d) To develop and maintain an effective system of internal financial control and to take adequate precautions for guarding against fraud and facilitating its discovery.
- (e) To arrange for the preparation of financial statements for each financial year giving a true and fair view of the state of affairs of the Society.
- (f) To develop and maintain systems to ensure compliance with the provisions of the Industrial and Provident Societies Acts and other relevant legislation.
- (g) To encourage the growth of membership and its involvement in the affairs of the society in recognition that Co-operative societies are membership based.
- (h) To ensure that the Society complies with its obligations as a member of the Co-operatives UK Limited.

Subject as hereinafter mentioned the Board may delegate the executive management of the Society or any of the powers hereby given to them to the Chief Executive acting in conjunction with the Board, or to committees consisting of such of their own number as they shall think fit, who shall in the exercise of the functions entrusted to them act under the direction and control of and conform in all respects to the instructions given to them by the Board. However, the following particular duties responsibilities and matters shall in all circumstances be reserved for the exclusive determination and decision of the Board and shall not be delegated to any other person or body namely -

- (i) All matters concerning the determination and general operation of the Society's rules.
- (ii) Reporting to members - with particular reference to the frequency, location and content of members meetings and directors reports.
- (iii) Profit distribution policies and determination for members approval.
- (iv) All aspects of membership policy.
- (v) Directing, overseeing and monitoring the observance by the Society of all legal requirements imposed on it and fulfilling all the legal obligations of the Board.
- (vi) Review of all audit matters including receiving the auditors report on the accounts and the review of the management letter.
- (vii) Responsibility for all relationships with and for determination of proposals to be forwarded to Co-operatives UK Limited and similar

bodies, including appointing delegates and deciding Society policy on motions and elections, but excluding day to day trading.

- (viii) Reviewing from time to time the Society's policy regarding co-operation with other societies, taking into account the interests of the Co-operative Movement, as well as the interests of the Society.
- (ix) The review and update of Society strategies and policies.
- (x) The annual review and approval of the Society's revenue and capital budgets.
- (xi) Approval of capital expenditure in excess of 2% of Society turnover in the last published accounts.
- (xii) Approval of all business acquisitions and disposals.
- (xiii) Approval of all property acquisitions and disposals.
- (xiv) Approval of all leasing transactions in excess of 1% of the Society's turnover in the last published accounts, and all property leasing.
- (xv) Approval of all funding arrangements.
- (xvi) Approval of all significant decisions to commence or cease services.
- (xvii) Appointment of the Chief Executive including terms and delegated authority, performance appraisal and removal from office, including compensation for loss of office.
- (xviii) Involvement with the Chief Executive in the appointment of other senior executives below him.
- (xix) Appointment of the Society Secretary.
- (xx) Approval and review of the Society's management structure.
- (xxi) Approval and review of the Society's personnel policies.
- (xxii) To ensure that the Society has in place appropriate training policies and programmes at all levels within the organisation, including the Board of Directors and members or member representatives indicating an interest in becoming Directors.

**55. The Chief Executive** – The Chief Executive may be invested with the executive management and control of the business and affairs of the Society including the implementation of the policy decisions of the Board and shall in all things act under the direction and control of and conform in all respects to the instructions given to him/her by the Board to whom he/she shall be solely responsible. The objectives of the Chief Executive shall be to direct and co-ordinate all activities of the Society to ensure an efficient financially sound and profitable operation, and without prejudice to the generality of the foregoing the Chief Executive shall more particularly undertake and exercise the following specific duties and responsibilities, namely -

- (a) To appoint and control all staff answerable directly to the chief executive in conjunction with the Board and to control all expenditure within any limits laid down by the Board.
- (b) To establish an efficient management structure with clearly defined responsibilities subject to the approval of the Board.

- (c) To establish targets of performance for each department and to review these targets in the light of performance.
- (d) To advise the Board on the formation of policy.
- (e) To convert the policy decisions of the Board into instructions for subordinate management.
- (f) To advise the Board of development opportunities and subject to the approval of the Board to be responsible for the implementation of same.
- (g) To formulate capital and revenue budgets as necessary for the approval of the Board.
- (h) To promote a good image for the Society at all times.
- (i) To maintain effective communications within the Society.

**56. The Secretary** – The office of the Secretary for the time being of the Society may be occupied at the same time by the person who holds the appointment as Chief Executive of the Society. The functions of the Secretary shall be primarily ministerial and administrative and in the absence of the express authority of the Board the Secretary shall not assume or undertake any executive or managerial powers. The Secretary shall be invested with responsibility for all secretarial responsibilities of the Society and its superannuation fund (where such a fund exists) and shall in all things act under the direction and control of and conform in all respects to the instructions given to him/her by the Board to whom he/she shall be solely responsible. Without prejudice to the generality of the foregoing the Secretary shall more particularly undertake and exercise the following specific duties and responsibilities, namely -

- (a) To convene all meetings of the Society either on an order of the Board or upon a written requisition of members pursuant to the rules of the Society.
- (b) To attend all meetings of the Society and of the Board of directors and to make and maintain proper minutes of proceedings thereat.
- (c) Under the direction of the Board to issue all necessary notices to members and others.
- (d) To conduct all correspondence with members and depositors with regard to their shares and investments in the Society.
- (e) To maintain the books and registers of the Society required to be kept under Section 44(1) of the Act.
- (f) To make all necessary returns to the appropriate Registrar, and upon request to supply copies of the last annual return to every member or person interested in the funds of the Society together with copies of the report of the auditor on the accounts and balance sheet contained in the return.
- (g) To be responsible for the custody and use of the seal of the Society which shall only be used under the authority of a resolution of the Board and in accordance with the provisions of Rule 89.
- (h) In conjunction with the Board to ensure compliance with the provisions of the Industrial and Provident Societies Acts and other relevant legislation.

- (i) To undertake any other duty or responsibility which may be committed to him/her by authority of a resolution of the Board.

**57. Senior Management** – All senior executives and managers reporting directly to the Chief Executive shall be appointed by the Chief Executive acting in conjunction with the Board and shall undertake such duties and exercise such powers and responsibilities in relation to the Society and its business as the Society shall from time to time require. All senior executives and managers shall be responsible to the Chief Executive and in the exercise of the functions entrusted to them shall act under the direction of and conform in all respects to the instructions given to them by the Chief Executive.

**58. Qualifications of Directors** – The following qualifications and disqualifications shall apply on nomination for election to and where applicable during service on the Board -

(a) A Director shall be and remain a member of the Society, and any candidate for election to the Board of Directors shall have been in membership for at least six months prior to the closing date for nominations in that election.

(b) No member shall be eligible for the office of Director who has ever been dismissed as a result of disciplinary procedures from the employment of the Society or a society which has transferred its engagements to the Society or any other business which has been acquired by, or transferred to the Society.

(c) No person shall be eligible for nomination for or service on the Board who or whose spouse, partner or member of his/her immediate family (defined as a person who is financially dependent or interdependent with the person, and who is part of the same household) is engaged in a senior managerial capacity including being a Director in the carrying on of any business trade or undertaking which in the opinion of the Board competes in a material way with any business trade or undertaking carried on by the Society or has business interests or undertakes activities which, in the opinion of the Board, would render that person's service on the Board prejudicial to the interests of the Society.

(d) Any member who or whose spouse, partner or member of his/her immediate family is engaged in a managerial capacity with a supplier to the Society, other than in a Co-operative or social enterprise organisation or joint venture in which the Society is a partner, and where, in the opinion of the director, or the board, the employment or remuneration of the member, or spouse or partner or family member is dependent to a material extent on the Society's patronage of the supplier (hereinafter referred to as "materially dependant suppliers"), shall not be a Director, except as provided in (f) below. A Director with an interest in any contract with the Society shall declare immediately such interest and accordingly be excluded from participating in discussion or voting on the matter.

(e) The Chairperson shall not be an employee of the Society nor an employee of any person, firm or corporate body other than in a Co-operative or social enterprise organisation, or joint venture in which the Society is a partner which supplies goods or services to the Society and which in the opinion of the Board is to a material extent dependent upon the patronage of the Society, nor the spouse of any of the foregoing.

(f) Employee members and materially dependent suppliers of the Society, together with spouses, partners, and immediate family members of the foregoing, shall be eligible for service on the Board provided that not more than two such members may serve on the Board at the same time. The Chief Executive and other members of the Management Team as well as other employees who report to the Chief Executive, together with the spouses,

partners, and immediate family members of the foregoing, shall be ineligible to be Directors.

(g) Any person who is or becomes an undischarged bankrupt, or against whom any disqualification order has been made under the Company Directors Disqualification Act 1986 shall be disqualified from being a Director and if a sitting member of the Board shall thereupon vacate his/her office.

(h) A person who is incapable through disorder or disability of mind of managing his/her own affairs shall not be a Director.

(i) A Director who is absent from four successive meetings of the Board without good reason established to the satisfaction of the Directors shall vacate his/her seat.

(j) At no time shall more than one holder of a joint membership be eligible for nomination or election.

(k) The Board of Directors shall have and keep under review a code of conduct for Board members. All Directors, on election, shall sign a document agreeing to abide by the code of conduct in force at the time, and as subsequently amended from time to time. Any Director failing to sign this document and return it to the Secretary within one month of being presented with it shall immediately cease to be a Director.

**59. Removal of Directors** – A Director may be removed from office at any time by two-thirds of the votes cast at a special meeting of the Society. A vacancy so created shall be a casual vacancy and shall be dealt with in accordance with the provisions of Rule 60. Pending the decision of such special meeting a Director may be suspended from his/her duties by resolution of the Board if in their opinion he/she has been guilty of conduct detrimental to the interests of the Society or is otherwise thought to be unfit to carry out his/her duties.

**60. Casual Vacancies** – Where casual vacancies arise in the number of Directors, but the number of Directors in office remains above five, the Board shall have the power to decide whether to hold an election, prior to the annual election, to fill the vacancies. Where the number of Directors falls to five or below, the Board shall be required to hold such an election, unless, at the first Board meeting after the vacancy arises, more than four months has elapsed since the previous AGM. Where an election is held under this Rule, all such casual vacancies shall be filled as soon as practicable by the members by means of a ballot system, which shall be conducted under such arrangements as the Board shall determine which may include distance voting, such as postal, internet, or telephone voting. Where one or more casual vacancies exist at the time of an annual election, they shall be filled at that election, where applicable in addition to the vacancies created by the expiry of the terms of office of directors at that time. Any person elected to fill a casual vacancy shall serve out the term of office for which his/her predecessor in office was last elected and shall then be eligible for re-election in the normal manner

**61. Meetings and Quorum of the Board** – The Board shall meet and regulate its meetings as it may determine, but shall not proceed to business unless a quorum consisting of four Directors is present (including any participating in the meeting by electronic mail or telephone) the majority of whom shall not be employees or materially dependant suppliers of the Society. A majority shall mean more than half.

**62. Voting at Meetings of the Board** – Questions arising at any meeting of the Board shall be decided by a majority of votes and in the case of an equality of votes the chairperson of the meeting shall have a second or casting vote.

**63. Chairperson and Vice-Chairperson of the Board** – At the first Board meeting following the annual meeting of members, the Directors shall elect one of their

number to be Chairperson of their meetings. Such Chairperson shall be the Chairperson of the Society. At the same meeting, the Directors shall also elect one of their number to be Vice-Chairperson. Such Vice-Chairperson shall be the Vice-Chairperson of the Society. If a casual vacancy arises during the year for the position of Chairperson or Vice-Chairperson, the Directors shall fill it at their next meeting. The terms of office of the Chairperson and Vice-Chairperson shall run until the end of the next annual meeting of members. If at any meeting of the Board the Chairperson is not present, the Vice-Chairperson shall take the chair, and in the absence of both the Chairperson and the Vice-Chairperson, the Directors present may choose one of their number to be Chairperson of the meeting. A Director may serve as Chairperson for no more than six years continuously, after which he/she shall not be eligible to be re-elected as Chairperson for three years. However, service as Chairperson prior to the first Board meeting following the Annual General Meeting held in 2003 shall not be counted as being included in the period of continuous service for the purpose of this Rule.

**64. Special Meetings of the Board** – A special meeting of the Board may be called by a notice in writing given to the Secretary by not less than one quarter of the Directors for the time being at least one clear day before the meeting to be called. The notice shall state the objects of the meeting and the Secretary shall communicate such notice to all Directors as soon as possible after the receipt thereof. No other business shall be transacted at the meeting than the business named in the notice.

**65. Validity of Acts of Directors** – All acts done by any meeting of the Board or of a committee of Directors or by any Director acting in pursuance of any authority duly given shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director, be as valid as if such Director had been duly appointed.

**66. Remuneration of Directors** – The Society shall from time to time fix the remuneration of the Directors, who shall in addition be reimbursed their reasonable travel, hotel and out of pocket expenses wholly and necessarily incurred on Society business at such rates as may be determined from time to time by the Society.

**67. Remuneration of Senior Management** – The remuneration of senior executives and managers shall be determined, monitored and reviewed by the Board acting in conjunction with the Chief Executive on the basis of full information and following consultation with the executive or manager concerned. Senior executives and managers shall take no part in the process of determining their own remuneration. The Board may establish a committee consisting of Directors to be known as the remuneration committee for the purpose of collecting and considering detailed information and making recommendations to the Board regarding the remuneration packages of senior executives.

**68. Board Training and Development** - Directors who without good reason established to the satisfaction of the Board fail to undertake such personal training and development throughout their terms of office as may be prescribed by the Board pursuant to the following provisions of this clause of this rule shall if the Board in their absolute discretion so determine thereupon be ineligible for re-election at the end of their term of office until they have undertaken the requisite training to the satisfaction of the Board.

At least every two years, the Directors shall cause a skills audit to be undertaken, to assess the existing knowledge and skills of each Director, and of the Board as a whole. A programme of training shall be devised for each Director, within the framework of a training plan for the Board of Directors as a whole, with the aim of bringing his/her individual knowledge and skills up at least to the minimum level necessary to perform his/her functions as a Director of a co-operative business,

and in order to ensure that the Board as a whole has an appropriate range of skills and knowledge.

#### **INDEPENDENT PROFESSIONAL ADVICE**

**69. Independent Professional Advice** – Upon a written requisition handed to the Society's Secretary signed by not less than one-third of the total membership of the Board for the time being those Directors ("the requisitionists") shall be entitled to take independent professional advice at the Society's expense upon any question or questions relating to the governance of the Society or the conduct of its affairs, in accordance with the following agreed procedure -

- (a) The requisition need not state the precise question or questions upon which independent professional advice is required, but shall identify the broad area(s) of concern (eg. legal, accountancy, taxation, valuation, employment, trade, etc);
- (b) for the purpose of taking advice the requisitionists shall appoint one of their number to act as the requisitionists clerk, whose identity shall forthwith be notified to the Secretary;
- (c) the requisitionists shall be entitled to production and copies of any documents and information which they may reasonably require and may call upon the Society's Secretary for any necessary assistance in preparing their case and in seeking and obtaining advice;
- (d) before any professional fees are incurred by the requisitionists a written estimate or quotation in respect of the anticipated expense thereof shall be submitted for the approval of the Society's Secretary who shall forthwith give his/her written approval to same or if he/she thinks fit may refer same to the Board for approval. In either case such approval shall not be unreasonably withheld or delayed, and any question or dispute as to the grant or refusal of such approval shall forthwith be referred by the Board to Co-operatives UK Limited whose decision shall be binding and conclusive;
- (e) a complete copy of any written advice or opinion obtained by the requisitionists shall be passed to the Society's Secretary who shall make same available for inspection (if required) by the remainder of the Board.

The above procedure must not be used as a means of causing unreasonable delay in the implementation of any Board resolution or resolutions relating to the matter in question.

#### **INDEMNITY**

**70. Indemnity** – Without prejudice to any indemnity to which a Director may be entitled at common law or otherwise, every Director or other officer of the Society shall be indemnified out of the funds and assets of the Society against all actions, claims, costs, demands and expenses and any personal liability whatsoever whether civil or criminal arising out of or in connection with the exercise or purported exercise of his/her duties as a Director or officer of the Society but excluding liability incurred under Section 62 of the Industrial and Provident Societies Act 1965 or for wilful default, fraud or dishonesty, provided that any officer who has given security under Section 41 of the said Act shall not be indemnified for and to the extent of any sum of money due under such security

and further provided that no person shall be indemnified against costs or expenses recovered from him/her by order of the Registrar. For the purposes of this paragraph of this rule, any reference to a Section of an Act includes reference to any legislation replacing or amending the same.

The Society is hereby authorised to purchase and maintain insurance for the purpose of -

- (a) Indemnifying the Directors and officers for the time being of the Society against any liability which by virtue of any rule of law would otherwise attach to them or any of them in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to the Society; and
- (b) indemnifying the Society itself as reimbursement for indemnity actually and lawfully provided to its directors and officers pursuant to the first paragraph of this rule.

### **MINUTES**

- 71. Minutes** – The Board shall cause minutes of all meetings of the Society and of the Directors to be kept and entered in books kept for that purpose and the draft minutes of every meeting of the Society, and of every meeting of the Board, shall be submitted to the next ordinary meeting or meeting of the Board respectively for approval, and the approved version shall be signed by the chairperson of the meeting at which they are approved. All minutes so signed shall, in the absence of evidence to the contrary, be taken as between the Society and every member thereof to be a true statement of any matter therein contained.

### **NOTICE**

- 72. How Notice may be Given** – A notice required to be given by the Society to any member under these rules (other than a notice convening a meeting or relating to the cancellation or forfeiture of ordinary shares) or under the Act or otherwise shall be given by notices displayed conspicuously at the registered office and in any other places of business of the Society to which members have access and in addition notice may be given in such manner as the Board determines, including electronic mail, facsimile or post.

### **AUDIT**

**73. Auditor** –

- (a) Where necessary in law, or where the membership require there shall be appointed in each year of account a qualified auditor to audit the Society's accounts and balance sheet for that year. In this rule "qualified auditor" means a person who is a qualified auditor under Section 7 of the Friendly and Industrial and Provident Societies Act, 1968 as amended by the Companies Act 1989 (Eligibility for Appointment as Company Auditor) (Consequential Amendments) Regulations 1991.
- (b) None of the following persons shall be appointed as auditor of the Society:
  - (i) an officer or employee of the Society;
  - (ii) a person who is a partner of or in the employment of or who employs an officer or employee of the Society.
- (c) Save as provided in Clause (d) of this rule every appointment of an auditor shall be made by resolution of a members' meeting of the Society.

- (d) The Board may appoint an auditor to fill any casual vacancy occurring between meetings of members of the Society.
- (e) An auditor appointed to audit the accounts and balance sheet of the Society for the preceding year of account (whether by a members' meeting or by the Board) shall be reappointed as auditor of the Society for the current year of account (whether or not any resolution expressly reappointing him/her has been passed) unless -
  - (i) a resolution has been passed at a members' meeting of the Society appointing somebody instead of him/her or providing expressly that he/she shall not be reappointed, or
  - (ii) he/she has given to the Society notice in writing of his/her unwillingness to be reappointed, or
  - (iii) he/she is not a qualified auditor or is a person mentioned in Clause (b) of this rule, or
  - (iv) he/she has ceased to act as auditor of the Society by reason of incapacity.

Provided that a retiring auditor shall not be automatically reappointed if notice of an intended resolution to appoint another person in his/her place has been given in accordance with Clause (f) of this rule and the resolution cannot be proceeded with because of the death or incapacity of that other person or because that other person is not a qualified auditor or is a person mentioned in Clause (b) of this rule.

- (f) A resolution at a members meeting of the Society -
  - (i) appointing another person as auditor in place of a retiring auditor, or
  - (ii) providing expressly that a retiring auditor shall not be reappointed

shall not be effective unless notice of the intention to move it has been given to the Society not less than 42 days before the meeting at which it is to be moved. On receipt by the Society of notice of such an intended resolution the Society shall forthwith send a copy of the notice to the retiring auditor. If it is practicable to do so the Society shall give notice to its members of the intended resolution at the same time and in the same manner as it gives notice in accordance with these rules of the meeting at which the resolution is to be moved or, if that is not practicable, by advertisement not less than 28 clear days before the said meeting on the Society's website. Where the retiring auditor makes any representations in writing to the Society with respect to the intended resolution or notifies the Society that he/she intends to make such representations the Society shall notify the members accordingly as required by Section 6 of the Friendly and Industrial and Provident Societies Act, 1968.

The auditor shall in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act, 1968, make a report to the Society on the accounts examined by him/her and on the revenue account or accounts and the balance sheet of the Society for the year of account in respect of which he/she is appointed.

- 74. Audit of Accounts** – Where necessary in law, or where the membership require, the Board shall cause the accounts of the Society to be submitted at least once in every year to the auditor for audit.
- 75. Rights and Powers of the Auditor** – For the purposes of any audit the auditor shall be given access to and be entitled to call for and examine all books, deeds, documents, and accounts of the Society. He/she shall be entitled to require from

the officers of the Society such information and explanations as he/she thinks necessary for the performance of his/her duties. The auditor shall be entitled to attend any members' meeting of the Society, to receive all notices of and other communications relating to any members' meeting which any member of the Society is entitled to receive, and to be heard at any meeting which he/she attends on any part of the business of the meeting which concerns him/her as auditor.

#### **AUDIT COMMITTEE**

- 76. Audit Committee** – The Board may establish a committee of the Board to be known as the audit committee whose duties shall include consideration of the appointment of the auditor, the audit fee, and any question of resignation or dismissal, review of the half-year and annual financial statements before submission to the Board, and such other duties as the Board shall determine. No employee Director or materially dependant supplier of the Society shall serve on the audit committee and the Chief Executive shall not normally attend the meetings of the audit committee unless invited to do so for a specific purpose.

#### **ACCOUNTS**

- 77. Books of Account** – The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that the financial statements comply with the requirements of the Industrial and Provident Societies Acts. The Board also has a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

- 78. Accounts to be laid before Meetings** – The Board shall in respect of each year of account -

- (a) Cause to be prepared a revenue account or revenue accounts which singly or together deal with the affairs of the Society as a whole for that year and which give a true and fair view of the income and expenditure of the Society for that year; and
- (b) cause to be prepared a balance sheet giving a true and fair view as at the date thereof of the state of the affairs of the Society.

The Board shall have 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.

Every balance sheet presented to a meeting of members shall be accompanied by a report of the Board, on the state of the Society's affairs. Such report shall contain details of any compensation payments for loss of office made to the Chief Executive or to any other senior executive or any member of the Board, and be signed by the chairperson of the meeting of the Board adopting the report.

In the preparation of accounts the Board shall ensure that the Society adopts and conforms as far as practicable to the accounting standards recommended from time to time by the Co-operative Accounting Standards Committee of Co-operatives UK Limited. If the Society does not observe the recommended Co-operative Accounting Standards for the time being then this fact shall be reported clearly to the members in the Society's annual report.

- 79. Publication of Accounts and Balance Sheets** – The Board shall not cause to be published any revenue account or balance sheet nor any interim revenue account or balance sheet unless it has previously been audited by the auditor and it

incorporates a report by the auditor stating whether in his/her opinion it gives a true and fair view of the income and expenditure, and of the state of the affairs of the Society. Every revenue account and balance sheet published shall be signed by the Secretary and by two Directors acting on behalf of the Board.

- 80. Copy of Balance Sheet to be sent to Registrar** – A copy of each revenue account and balance sheet made during the period included in any annual return shall be sent by the Secretary to the Registrar together with the annual return and such copy shall incorporate the report made thereon by the auditor.
- 81. Copy of Balance Sheet to be Displayed** – The Society shall keep a copy of the last balance sheet for the time being, always displayed in a conspicuous place at its registered office.

#### **ANNUAL RETURN**

- 82. Annual Return to be sent to Registrar** – The Society shall within the time allowed by legislation in each year send to the Registrar a general statement in the prescribed form, called the annual return, relating to its affairs during the period covered by the return, together with a copy of the report of the auditor on the Society's financial statements for the period included in the return and a copy of each revenue account and balance sheet made during that period and of any report of the auditor on that balance sheet.
- 83. Requirements of Annual Return** – The annual return shall-
- (a) Contain the revenue account or accounts of the Society prepared in accordance with Section 3(2) of the Friendly and Industrial and Provident Societies Act 1968 in respect of the year of account to which the return relates, and a balance sheet as at the end of that year;
  - (b) not contain any accounts other than the revenue account or accounts for that year unless those other accounts have been examined by the Society's auditor under Section 9 of the Friendly and Industrial and Provident Societies Act 1968;
  - (c) be made up for the period beginning with the date of the Society's registration under the Act or with the date to which the Society's last annual return was made up, whichever is the later, and ending -
    - (i) with the date of the last balance sheet published by the Society before "the appropriate date" (meaning 31st March of the year in which that return is required to be sent to the Registrar or the date on which that return is so sent, whichever is the earlier), or
    - (ii) if the date of that balance sheet is earlier than 31st August immediately preceding the appropriate date or later than 31st January of the year in which the appropriate date falls, with 31st December immediately preceding the appropriate date.

#### **COPIES OF ANNUAL RETURN AND OF RULES AND INSPECTION OF ACCOUNT**

- 84. Copies of Annual Return and Rules** – The Secretary shall supply -
- (a) Gratuitously on application a copy of the last annual return for the time being of the Society to every member or person interested in the funds; and

- (b) on payment of such amount as may be prescribed in the law applicable to Industrial & Provident Societies for the time being in force to any person applying therefore a copy of the rules.

In supplying a copy of an annual return as aforesaid the Society shall also supply a copy of the report of the auditor on the accounts and balance sheet contained in the return.

- 85. Inspection of Books** – Any member or person having an interest in the funds of the Society may inspect his/her own account and the books containing the names of the members, including the particulars mentioned in Clauses (a), (d), and (e) of Rule 14, entered in the register of members, at all reasonable hours at the registered office or at any place where the same are kept, subject to such regulations as to the time and manner of such inspection as may be made from time to time by meetings of members of the Society.

#### **DEPRECIATION**

- 86. Depreciation** – Depreciation of fixed assets shall be provided so as to write off their cost (or revalued amount) less estimated residual values and any accumulated impairment losses over their anticipated useful lives, or in such other manner consistent with recognised accounting standards as the Board shall determine.

#### **APPLICATION OF PROFITS**

- 87. Application of Profits** – The net profits of all business carried on by or on account of the Society shall be applicable as follows-
- (a) In paying interest on the ordinary share capital at such rate or divers rates, which may be graduated according to the amount of ordinary share capital in the Society held by individual (or joint) holders, as determined by the Board from time to time, but not exceeding in any case 5 per cent per annum or 2 per cent above the The Co-operative Bank plc base rate, whichever is the greater. In this rule "The Co-operative Bank plc base rate" means The Co-operative Bank plc base rate at the time of determining the rate of interest or at such time within 2 years prior to the date of such determination as the Board decides;
  - (b) in paying interest on share capital issued in accordance with rule 17(a)
  - (c) in setting aside to a reserve fund such amount, if any, as the Board may determine;
  - (d) in setting aside to a Co-operative and Social Economy Development Fund or Funds, such amount or amounts, if any, as an ordinary meeting may determine, for the purpose of promoting the development of Co-operatives, mutual organisations, not-for-profit and charitable organisations and social enterprises, and the work of, such organisations;
  - (e) in paying out of the balance of the profits remaining after application as aforesaid such dividend upon the value of the purchases made from the Society as an ordinary meeting may declare to persons who were members of the Society at the time of such declaration, and where an ordinary meeting so determines, to any other person.

Provided that -

- (i) the Board may determine that no dividend or that reduced rates of dividend shall be paid in respect of such purchases as they specify from time to time, and such power of determination shall extend to the specification of goods or services and/or to the places or areas in which goods are sold or services provided by the Society;
  - (ii) no dividend shall exceed the amount recommended by the Board;
  - (iii) the Board may from time to time pay such interim dividend as appears to them to be justified by the profits of the Society and purchases on which an interim dividend has been paid shall not rank for dividend in the final distribution of profits in any one year;
  - (iv) any amount payable in respect of a dividend which is not withdrawn by a member within one calendar month after it has become payable may be applied in payment for further ordinary shares;
- (f) in making payments for any lawful purpose whatsoever whether within the objects for which the Society is formed or not provided that no distribution of the profits aforesaid to the members shall be made except as is expressly provided for in this rule.

Any of the aforesaid profits not required for application as aforesaid shall be carried forward.

- 88. Application of Reserve Fund** – The reserve fund shall be applied in meeting any contingency affecting the business of the Society as the Board may recommend and as a meeting of the Society may by resolution determine, provided that the moving of such resolution was specified as business of the meeting in the notice convening the meeting.

#### SEAL

- 89. Custody and Use of Seal** – The Society shall have its name engraven in legible characters upon a seal, which shall be kept in the custody of the Secretary and shall be used only under the authority of a resolution of the Board. Every instrument upon which the seal is impressed shall be countersigned by two directors and the Secretary or in the absence of the Secretary by the Chief Executive or by such other person or persons as the Board may from time to time appoint for that purpose.

#### DISPUTES

- 90. Determination of Disputes** – In the event of a dispute between the Society or its Board and a member of the Society or a former member, such dispute shall be referred to an independent arbitrator whose appointment is acceptable to both parties to the dispute. The decision of such an arbitrator shall be binding. In the event that a dispute cannot, for whatever reason, be concluded by reference to an arbitrator, the matter may with the consent of both parties be referred to the County Court (or in Scotland, to the Sheriff).
- 91. Cost of Arbitration** – The cost of any arbitration shall be borne as the arbitrators may direct and any complaining party shall deposit the sum of £100 with the Society by way of security for costs.
- 92. Copies of Arbitrators' Award** – A copy of the arbitrators' award shall be sent by the arbitrators to every party to a dispute.

#### EXPULSION

93. **How a Member may be Expelled** – A member may be expelled for conduct detrimental to the Society by a resolution passed by two-thirds of the members present and entitled to vote at a special meeting of the Society, provided that notice of the conduct alleged against him/her is given to him/her at least one calendar month before the aforesaid meeting and he/she is given an opportunity thereat to answer the allegations made against him/her. Pending the decision of such special meeting, a member may be suspended from membership of the Society by resolution of the Board, if in the opinion of the Board, he/she has been guilty of conduct detrimental to the interests of the Society.
94. **Payment of Expelled Member** – A member so expelled shall be paid the full sum paid or credited on any ordinary shares in the Society held by him/her at the date of the resolution for his/her expulsion (such sum to be paid in the currency in which the ordinary shares in question are held) and his/her ordinary shares shall be cancelled.

#### ALTERATION OF RULES

95. **Majority Required to make Alterations** – Any of these rules may be rescinded or altered, or any new rule be made, by a resolution passed at a special meeting of the Society by two-thirds of the votes cast provided always that this rule and Rules 43, 47 and 98 may only be rescinded or altered by a resolution passed at a special meeting of the Society at which 95% of the total votes cast have been cast in favour of such resolution, provided that nothing in this rule shall prevent such rules being re-numbered in the event of an amendment of rules causing the numbering of rules to be out of sequence.
96. **Registration of Alterations** – No amendment of rules is valid until registered. When submitting rule amendments for registration the Secretary may at his/her sole discretion accept any alterations required or suggested by the Central Office of the Registry of Friendly Societies without reference back to a further special meeting of the Society, providing that the alteration does not alter materially the rule amendment as submitted.

#### AMALGAMATION, TRANSFER OF ENGAGEMENTS, CONVERSION INTO A COMPANY, AND DISSOLUTION

97. **Amalgamation, Transfer of Engagements, and Conversion** – The Society may, by special resolution passed in manner prescribed by the Act, amalgamate with or transfer its engagements to any other society or company, or convert itself into a company under the Companies Acts. The Society may also accept a transfer of engagements and assets by resolution of the Board or of a meeting of members.
98. **Dissolution** – The Society may be dissolved by the consent of three quarters of the members by their signatures to an instrument of dissolution, or by winding up in a manner provided by the Act. If on the winding up or dissolution of the Society any of its assets remain to be disposed of after its liabilities are satisfied and the repayment at par value of ordinary and other classes of share capital and any loan stock held by members and former members and any dividends due to members, these assets shall not be distributed among the members, but shall be transferred instead to some other non-profit, Co-operative or charitable body or bodies subject to at least the same degree of restriction on the distribution of surpluses and assets as is imposed on this Co-operative by virtue of these rules. Any assets not so transferred shall be paid or transferred to Co-operatives UK Limited or to their successor organisation.

Signatures of Three Members

Full Names in BLOCK CAPITALS (no initials)

1. ....	.....
2. ....	.....
3. ....	.....
Secretary: .....	.....