

CABINET

DATE OF COMMITTEE
22nd February 2012

REPORT OF THE PORTFOLIO HOLDER FOR ECONOMIC DEVELOPMENT AND ENTERPRISE

Proposal to incorporate the Think Local 4 Business Project into a company limited by shares and for the Council to become a Founder Shareholder

EXEMPT INFORMATION

None

PURPOSE

To obtain Cabinet approval to proceed with the incorporation of Think Local 4 Business and to transfer the current assets of the project which are currently under the legal 'guardianship' of Tamworth Borough Council over to Think Local Limited, the proposed vehicle for the project's incorporation. To also obtain Cabinet approval for Tamworth Borough Council to become a Founder Shareholder in Think Local Limited and to take up the option of a seat on the company's Board of Directors.

RECOMMENDATIONS

- 1. To approve the incorporation and asset transfer (including one-off grant funding of £10,000) to the new company as soon as reasonably practicable.**
- 2. To approve the Council to become a Founder Shareholder in the company and to take up a seat on the company's Board of Directors.**

EXECUTIVE SUMMARY

Think Local 4 Business (TL4B) is a major initiative for business covering the areas of intertrading, business support, procurement, local networking and business engagement which is currently run by an active partnership of the 8 district councils of Staffordshire, the County Council, the Chambers of Commerce and a group of committed local businesses.

Over recent times, the emphasis of TL4B has moved toward providing greater interactivity, networking opportunities between businesses and online profiling facilities for businesses in a 'social media' type of environment. The vision for Think Local 4 Business is that it will **become the premier website for local businesses to network, inter trade, promote their activities and access useful business related information**. TL4B is more than just about promoting the use of a website however. It is a campaign for culture change towards more sustainable procurement and business practices to maximise benefits to the local economy.

In order to set out the vision and potential for the project, as well as specify the required actions and resources to realise these ambitions, a small 'Project Group' was formed from within the Partnership. This consists of the Council's Economic

Development and Enterprise Manager alongside one other local authority partner (East Staffordshire), the Director of the Southern Staffordshire Partnership and 3 local business representatives. Following extensive deliberation, this Group concluded that in order to fulfil its potential, the project needed to move to a more independent, business-like model of governance. The main rationale for this was due to unwieldy partnership structures, legal issues relating to asset ownership and liabilities, the lack of a central project 'figurehead' and the need to attract in private sector investment. As a result, the Project Group procured the services of a legal advisor to assess governance options and propose a preferred option. On the basis of this advice, the Project Group has formulated the proposal for the incorporation of the project and an accompanying Business Plan (which is appended to this report as Appendix 1) to demonstrate the viability and potential of the business.

The Business Plan concludes that from 2012-2015, the business has the potential to achieve its stated vision and ambitions. However, in order to achieve this, it will need to:

- Continue to develop its online product offering, so that it can become **the** local business portal of choice for businesses across Staffordshire.
- Develop a comprehensive and targeted marketing campaign, focussing on cost effective and efficient modern methods.
- Generate a steady and growing income stream from the business, to remove the reliance on local authority funding and allow the business to become fully self-funding from 2012/13 onwards, with the ability to further develop its own operational support infrastructure.
- Put in place a business like legal and governance structure based on a company limited by shares model, supported by an effective Board and operational arrangements, foremost amongst which will be the creation of a 'Project Lead' post remunerated initially by investor shares.

This report and its recommendations is concentrated on this latter bullet point, although the successful running of this business venture will of course be heavily dependent on the achievement of all of the above elements.

This incorporation and business opportunity represents an exciting opportunity for Tamworth Borough Council to be at the forefront of developing an alternative model of delivering a service to support the local economy involving a true business like partnership with the private sector. It also mirrors the ways of working encouraged and adopted by the Local Enterprise Partnerships and the Business and Economic Partnership and is fully compatible with central government's vision for future service delivery in partnership with local businesses, as well as its 'Big Society' vision. Whilst there are inevitably risks associated with any kind of venture of this nature, these will be very closely managed and mitigated, especially through the close ongoing involvement of Tamworth Borough Council officers and members in both the Board and operational management of the company.

BACKGROUND INFORMATION

The rationale behind the need to move to a more independent and business like model of delivery of the Think Local 4 Business project is as follows:

- Acting as a large and informal 'partnership of the willing', with associated partnership and delivery bureaucracy, has served to stifle progress, particularly through the requirement to operate by obtaining consensus.
- The need for one of the local authority partners, namely Tamworth Borough Council, to take on accountable body status in terms of financial management and procurement has led to the creation of unsustainable legal issues in relation to asset ownership and legal liabilities potentially falling on just one of the partners.
- The lack of a central figurehead or project leader has served to delay implementation of activities and the overall development of the project.
- The TL4B project will rely on seeking financial investment and contributions from the private sector in order to remain financially sustainable and viable, and this will not prove possible whilst the Partnership is an informal partnership between local authorities and business.

Through incorporation, TL4B will be able to address all of the above issues through the following features and attributes:

- A Board will be appointed whose responsibility it will be to oversee the whole business and ensure that the business plan is being implemented and that shareholders and investors interests are protected.
- In addition, a private sector individual will be sought to take on the role of Project Lead or 'Business Director' and will be responsible to the Board for driving forward all actions designed to implement the business plan.
- By forming a small Board of Directors, with full responsibility for implementing the business plan, decision making will be dramatically simplified and accelerated, allowing the company to more effectively implement the Business Plan and more readily take advantage of commercial opportunities.
- The company will assume all ownership and associated legal liabilities of the assets of TL4B and will therefore solve the aforementioned legal issues that concern Tamworth Borough Council in particular in relation to its position of accountable body.
- By forming a separate, private trading company, the process of attracting potential investment from the business community will become a lot simpler and more attractive to investors, with the ability to offer incentives in terms of shareholdings and potential returns in the form of dividends.
- A legally separate, private sector trading company will also be in a better position to bid for certain funding streams (e.g. ERDF, Regional Growth Fund, or similar). There is also a growth in the trend for local authorities and other bodies to commission private sector based companies and organisations to deliver services, so the new company will be better placed to bid for such opportunities as they arise.

In summary, the incorporation of TL4B is considered absolutely vital if the project is ever going to be able to become financially self-sustaining and achieve the ambitions stated in the Business Plan. It also requires the full flexibility and efficiency of operation that will be afforded through incorporation if it is to exploit its full

commercial potential and the market opportunities that currently exist.

In order to move towards the latter bullet point, the Project Group, which has since adopted the title of 'Interim Board', has engaged the services of a local independent legal advisor to assess the options for delivery of such a model of delivery and prepare the necessary legal paperwork. The details of the option recommended by the legal advisor is detailed below.

LEGAL/RISK IMPLICATIONS AND BACKGROUND

Legal Structures and Operation

Following the procurement of the independent and expert legal advice and subsequent discussion within the TL4B Interim Board, the following basic principles of the company structure have been agreed.

- The company will be known as 'Think Local Ltd' and will be formed on the back of the dormant company of this name that the current Chairman of the Partnership, Mark Adcock (a local solicitor and current Chair of the TL4B Partnership) has maintained on behalf of the Partnership. Think Local 4 Business will therefore become a trading name or trade mark of the company.
- The company will be limited by shares and will be a full trading company (i.e. able to make and redistribute its profits). Therefore, the current potential liability exposure of the Council as the accountable body will be transferred to the new company. The Council's liability in the company will be limited to its share capital holding (c.£3,750, depending on how many of the councils in the partnership become Founder Shareholders).
- There will be 2 classes of shares: **Founder Shares** for each council partner equal in value to the investment made in the current assets of TL4B (i.e. the current website, business data and marketing collateral, which equates to £30,000) divided **equally** between the 9 Founder shareholders (i.e. the 8 district councils and 1 County Council). **Investor Shares**, for any private individual or company who offers to invest in TL4B in terms of either significant cash or non financial contribution (e.g. in kind expertise or input to the Board's activities).
- Founder Shareholders' interests will be protected by the fact that alteration to the company constitution will only be possible through the agreement of at least 75% of the founder shareholders. Founder Shareholders wishing to 'cash in' their investment must first offer their Shares for sale to the other Founder Shareholders. The other Founder Shareholders (or as many as wish to do so) can then buy them in equal proportions. Only if there are any Founder Shares left over as unwanted by the other Founder Shareholders can those left over Shares be sold to a non Founder.
- On a (solvent) winding up they are to get back the initial value before sharing equally with all shareholders in the value of any residual cash.
- Investor Shareholders will have a right to a return of profit, at the Board's discretion and will have no rights to alter the constitution to the detriment of Founder Shareholders.
- On a sale of the company, the Founder Shareholders will receive the initial value back of their Shares before sharing equally with all shareholders in the balance of the

purchase price.

- The Board will consist of 7 Directors minimum, 3 from the Founder Shareholders, 3 from the private sector and 1 private sector Chair. Each Founder Shareholder partner will be offered a seat on the Board, which will be matched by an equivalent number of private sector representatives, plus a private sector chair. It should be noted that not all Founder Shareholders have expressed a desire to take up the offer of a Board place. This equates to just 3 who have positively declared this intention so far - Tamworth, East Staffs and Stafford - with none further anticipated, meaning that the likely Board composition will number 3 local authority, 3 private sector plus a private sector Chair.

For further detail on the legal structures of the proposed company, please see appendix 2, Articles of Association of Think Local Limited.

Powers to Act

The recommendation of this report is supported by certain legislative powers residing in local authorities, namely:

- The power to promote the economic well-being of an area, as per part 1 of the Local Government Act 2000
- The power to trade in function-related activities through a company, as per Section 95 of Part 1 of the Local Government Act 2003.

Risks & risk management

Risk description	Likelihood / impact	Status	Countermeasure
Not all local authority areas endorse the incorporation / founder shareholder status and therefore make no further financial or other contributions to the business.	Without countermeasures: Very high / high With countermeasures: High / moderate	Legal Financial Reduced impact	There are ongoing consultations with all the LAs with a view to obtaining endorsement. The incorporation is not dependent on all LAs proceeding and the company can function with just a small number of active LAs. Businesses from any non-participating LA areas will still be able to sign up and contribute to TL4B. Contingencies have been built into the cashflow forecast to deal with any partner contribution shortfall and additional funds have just been secured from the Greater Birmingham LEP Start-up Fund (£10K).
The business fails to realise its income generation targets and therefore cannot trade solvently.	Without countermeasures: High / very high With countermeasures:	Financial Reduced impact Reputational	The appointment of a Business Director with revenue targets to achieve and who will be able to concentrate a large proportion of his time on income generation will ensure that this is given top priority in the business. The business will be monitoring its accounts and cash position on a

	Moderate / very high		day to day basis as a matter of priority to ensure that it never lives beyond its means. If the company continued to fall short of generating sufficient business interest and revenue for a prolonged period, then the company would be wound up before it could become insolvent. It will always therefore be guaranteed that a small contingency fund is held back to enable the company to meet any winding up costs.
Lack of business engagement with the website and with the general activities of the business.	Without countermeasures: High / high With countermeasures: Low / Moderate	Financial Reduced impact Reputational	A full and comprehensive marketing campaign has been formulated, using all available channels of communication. Incentives will be built in to encourage peer to peer referrals and encouragement. There will be a focus on developing case studies and celebrating successes to encourage new and ongoing commitment.
Partners not working together effectively or losing confidence in the business.	Without countermeasures: Moderate / Moderate With countermeasures: Very low / very low	Reduced impact Reputational	Board members will be tasked with keeping non Board member LAs and other partners fully informed of progress. The Business Director will be tasked with formulating a programme of key stakeholder engagement (both new and existing partners). Regular stakeholder meetings will take place, including an AGM. Regular Operations Group meetings will also act as a key vehicle for continued partner engagement and coordination. Business Director will be supported by an Operations Coordinator from one of the existing LAs (likely to be from Tamworth Borough Council).

RESOURCE IMPLICATIONS

Currently, the Council provides a cash contribution of £1,000 per annum to the project to facilitate the activities and ongoing development of the project, alongside all the other council partners (except for the County Council, who provides £5,000 per annum). Given the high profile nature of the project with the business community and its potential as a business engagement tool, the council has also provided relatively significant officer time from its Economic Development team in order to lead and manage the project.

As stipulated in the Business Plan, only one further annual contribution of £1,000 will be required in April 2012 from all the district council partners (plus £5K from the County Council). However, once the project is incorporated and begins to realise its own income streams, there will be no further need for the Council to continue with these annual contributions.

In addition and as mentioned in the above Legal/Risks section, although the Council's liability exposure will be limited to the value of the founder shareholding already invested (c. £3,750), the Board will ensure that the company's expenditure never exceeds its revenue so as to remain solvent.

The employment of a local business person to lead and manage the project (the 'Business Director') will remove the need for the Council to take the overall lead in managing the new business. However, the new Business Director will still require some ongoing support in terms of facilitating the business of the new Board, as well as driving some of the more operational sides of the business, such as the marketing and website development.

Given the nature of this project and its potential to deliver on the Council's objectives, as well as those of the Economic Strategy adopted by Cabinet last Autumn, in addition to the extensive knowledge and expertise connected to the project that the Council has built up, it is considered appropriate for the Council to continue to invest relatively significant proportions of its Economic Development team's officer time in supporting the new business. This is estimated at up to 0.5 day per week for the Economic Development and Enterprise Manager's time and up to 1.5 days per week for the Senior Economic Development Officer's time.

Given that this input will surpass that which is expected of the other Council partners in terms of what is required as a minimum of Founder Shareholders, it is considered appropriate once the business is incorporated to hold negotiations to quantify this additional time and seek the award of additional investor shares for the Council as 'remuneration' for this additional resource. The general principle of the awarding of additional investor shares in return for this additional commitment over and above the Service Level Agreement has already been agreed by the Interim Board and Tamworth Borough Council will make this a pre-requisite before any such commitment of resources is given.

Tamworth Borough Council is currently finalising the details of an award of £10K from the Greater Birmingham and Solihull Start Up Fund (as provided by the Department for Business Innovation and Skills). This funding is recognition of the investment by the Partnership in the development of the website as an effective business engagement tool, particularly in a social media type of environment. Although Tamworth Borough Council, as accountable body, will receive these funds, it is considered appropriate for the Council to provide it back to the incorporated company as a grant, rather than through the award of any additional shares.

It should be noted that following a recent recruitment process, a Business Director has now been appointed. He is Peter Farmer, a Tamworth businessman who has been part of the Interim Board and is also Chairman of the Business and Economic Partnership and therefore is well versed in the local business scene. The Interim Board has already placed the required authority in him to proceed with the operational development of the business in advance of any incorporation taking place and has every confidence that he will be able to meet the objectives of the company. It should also be noted that this position will only be remunerated by the award of investor shares based on the achievement of agreed revenue raising targets, and as stipulated in the Business Plan it will only be remunerated by way of a salary payment once the company is fully self-financing.

SUSTAINABILITY IMPLICATIONS

1. The overall objective TL4B is to directly promote the local economy through sustainable indigenous business development, new business start ups, as well as inward investment. By promoting sustainable business growth, it will be ensured that businesses and jobs created are around for the long rather than short term.
2. The creation of increased local job opportunities will decrease the need for out commuting and promote more sustainable forms of transport, such as walking, cycling, rail and buses.
3. TL4B will also encourage businesses to adopt more sustainable business practices, including product/process enhancements, waste management and energy consumption.
4. Through the creation of a powerful local business network, businesses and public bodies will be encouraged to adopt more sustainable procurement practices, increasing business opportunities to local companies and reducing the transport impact of businesses.
5. TL4B will also encourage residents to use local businesses and facilities, thereby reducing travelling and the resultant environmental impact.

REPORT AUTHOR

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LIST OF BACKGROUND PAPERS

Appendix 1: Think Local Business Plan, 2012 - 2015

Appendix 2: Articles of Association of Think Local Limited

APPENDICES

As above.

APPENDIX 1

www.thinklocal4business.co.uk

Business Plan 2012 – 2014

think local
4 business.co.uk



Business Plan 2012 – 2014

1. Background

Think Local 4 Business (TL4B) is a major initiative for business covering the areas of intertrading, business support, procurement and local networking which is run by an active partnership of the 8 district councils of Staffordshire, the County Council, the Chambers of Commerce in Southern Staffordshire and Stafford and a group of committed local businesses.

Starting in 2003/4 from an initial base of 1,400 businesses signed up in Lichfield district, it has expanded to cover the whole of Staffordshire County today and is delivered largely via a 'business portal' style website (www.thinklocal4business.co.uk).

TL4B started out as an initiative to promote inter-trading amongst local businesses and also encourage the public and private sector to buy local and provide greater opportunities and easier access to their procurement opportunities for local businesses. It has also been designed to provide a comprehensive source of information on business support and advice, business news and events for business happening across the county and Region. Partners have uploaded business support information on to the website, and work is in hand to align marketing and engagement activities so that TL4B can be used in a strategic and efficient way for the public sector to engage with the business community.

However, over recent times, the emphasis of TL4B has moved toward providing greater interactivity, networking opportunities between businesses and online profiling facilities for businesses in a 'social media' type of environment. It is the aim of TL4B to become a local form of 'LinkedIn' or 'Facebook' for businesses, using the business, as opposed to the individual, as the key identifier or profile.

TL4B is more than just about promoting the use of a website however. It is a campaign for culture change towards more sustainable procurement practices for the benefit of the local economy. To that end, partners have been very active in promoting this culture change, particularly within the partners' own organisations. To this end, a 'Think Local Pledge' was drawn up which set out the key principles of the think local culture, to which all 8 District Councils, the County Council and the 2 chambers of commerce have all signed up.

In an era where sustainability issues are high on the agenda, TL4B has provided a practical solution to enable businesses to think more about the positive impact of their businesses on the local economy, whilst at the same time providing them with greater local exposure, opportunities to network and easier access to information on business support and information.

2. Vision

Think Local 4 Business will become the premier website for local businesses to network, inter trade, promote their activities and access useful business related information.

3. The product / service

TL4B will offer Staffordshire based businesses, in particular small to medium enterprises, a number of products and services, most of them for free, though some will be charged. The free services will give local businesses opportunities they may not otherwise have been able to access without paying for.

3.1 Online Profile and mini website

Every business that registers with TL4B gets a free profile, allowing the business to effectively have a free website, with contact details, trading description and many other features, including the ability to post photos, videos and create discussions. This is particularly suited to small start up businesses who cannot afford a website immediately.

3.2 Search Engine Optimisation

The site has been constructed to be highly search engine optimised, meaning all registered businesses will feature highly on Google and other searches, raising their profile for free.

3.3 Online networking and social media

TL4B uniquely offers registered business as an entity the ability to create networks of other businesses registered on the site, communicate with them and inter trade. Social media tools, LinkedIn, Facebook and Twitter are integrated into the site, allowing businesses to use their existing profiles / accounts to register and also share useful contact and information to their wider networks.

3.4 News and events

Registered businesses will be able to post their events on the site for free, and invite other businesses on the site and in their network to attend. News stories and press releases have to be sent to an administrator first to check suitability but can also be put on for free. Both these services offer another opportunity for businesses to promote themselves and their activities.

3.5 Business directory

By creating an online profile, registered businesses can also be searched for by other businesses, either by category, so type of business sector they are in or a number of other generic factors such as distance, postcode, area or keywords.

3.6 Business Support

TL4B will act as a hub to publish useful, up to date information for businesses on relevant support on offer, including information directly syndicated from the main Business Link website, as well as information from other TL4B partners, such as local councils, universities and colleges, chambers of commerce, Federation of small businesses and other private sector business support agencies.

3.7 Opportunities

The site will offer the ability for registered businesses and public sector bodies to post informal business opportunities and more formal contracts / tenders. This will be one of the only sections of the site to incur a charge.

4 Sales and marketing

4.1 Target Markets

In order to be successful the site and the brand have to be well recognised by the target market, in order to attract businesses to register and continue to make use of the services on offer.

The current target markets for TL4B are as follows:

- New business start ups
- Small to medium enterprises – less than 250 employees.
- High growth / innovative businesses.
- Business support delivery organisations
- Sponsors / Investors.

4.2 Why these markets?

- New businesses and small to medium businesses have the most to gain from the current opportunities offered by the site – contact with other businesses, self promotion and information opportunities.
- High growth / innovative businesses will benefit from the opportunity to promote themselves, new products and activities.
- Business Support Delivery organisations will have the opportunity to explain what services they offer businesses in one joined up directory.

- Sponsors and investors to attract investment and revenue to fund ongoing development of the website and the services it offers.

4.3 Marketing tools

The site will need to be marketed through a mixture number of methods in order to be successful.

1. Email marketing

Monthly marketing emails will be sent to 3 different groups of businesses as below. These emails will be designed to attract people to use the site, offer relevant and current information on products and services and explain how these can benefits local businesses.

- **New users:** Any user that has signed up to the site within one month.
- **Current users:** Any user that has been registered on the site for more than one month.
- **Prospective users:** Potential users that have not yet registered on the site

In addition to marketing emails, the system will also generate a number of internal automatic messages, to existing users, similar to that currently employed by LinkedIn, notifying businesses when they have a new network connection or when new content has been added to the site that may be of interest.

2. Networking Meetings

Around Staffordshire there is a significant number of highly proactive business networking groups, each with a membership of at least 10 businesses. These groups are key to increasing the recognition of the site, as most are small local businesses. Once made aware of the site and how it will benefit them they in turn will then tell other businesses and also use the site as a networking tool.

3. Exhibitions and Events

TL4B should take every opportunity to market itself and increase its brand recognition at any business to business event that is deemed appropriate, in order to access those businesses that it cannot reach through other means and increase awareness of the products and services it offers.

4. Social media / recommendations

By using various forms of social media, such as LinkedIn and twitter, it is vital that the services and benefits TL4B can offer local businesses get as much coverage as possible. This could be through such opportunities as businesses tweeting about business won through the site, events they've found or interesting new stories and pr.

5. Google Search

By ensuring that the site and content is continuously updated and added to, search engines, predominantly Google, will increasingly index the site, allowing for Google searches to consistently bring up TL4B results, driving more traffic to the site and therefore more brand awareness.

4.4 Sales opportunities

It is imperative that the site generate income in order to support continual development and marketing campaigns. In order to do this a number of income generating services will be offered. The success of these income streams go hand in hand with the success of the site, the more visitors and users of the site, the more likely TL4B is to attract significant revenue generating opportunities.

1. Sponsorship: Businesses who have a significant interest in raising their profile through being involved with TL4B would pay to be either site or section sponsors. This should be businesses who could directly benefit from the TL4B brand and marketing, rather than just general advertisers who seek business to business contacts. Examples could be an events company who wishes to sponsor the events section of the site and run branded TL4B events.

2. Investors: Businesses who seek to put financial or staff resources in to TL4B in exchange for some form of agreed return, to develop products, services and brand recognition.

3. Advertisers: A number of advertising banners will be offered on the site at a reasonable cost, allowing business to sell their services to site users.

4. Paid Sections: As the site develops sections such as Events and Opportunities will incur a cost by users, so creating an event or accessing a business opportunity will be charged for. Other opportunities will be explored around paid for enhanced user profiles and accounts offered businesses greater benefits. There is also the opportunity to explore pay per click links through to other sites. Some websites and advertisers will pay for pertinent sponsored links on TL4B that redirect straight through to their sites.

5 Legal, governance and operational support

5.1 Legal and governance

TL4B has always operated as an informal 'partnership of the willing' between local authorities and the business community. Whilst this has had certain advantages in terms of its flexibility, lack of bureaucracy and informal procedures, it has also acted to stifle progress, particularly as the effective operation of the Partnership requires consensus. In addition, the lack of a single 'Project Leader' has served to delay implementation of activities and the overall development of the project. The need for an accountable body in

terms of procurement and financial management, which over the past 3 years has fallen on Tamworth Borough Council, has also created some unsustainable legal issues. Finally, and perhaps most crucially, The TL4B project will rely on seeking financial investment and contributions from the private sector, as well as bidding for other public sector funding streams, in order to remain financially sustainable and viable, and this will not prove possible whilst the Partnership remains an informal partnership between local authorities and business and is not a properly constituted legal body.

It was for these reasons that a full incorporation of the project into a trading company limited by shares is currently under consideration, with a view to establishing the new vehicle by April 2012. It is proposed that the company would initially be fully owned on an equal basis by the 9 council partners, who would become 'Founder Shareholders', but with the ability to attract additional private sector involvement and investment through the issue of 'Investor Shares'.

The business would be run by a small Board, drawn from the Founder Shareholders and private sector on a 50:50 basis, who would be responsible for implementing this Business Plan. The Board would have a private sector Chair and would be supported by a 'Project Lead' with responsibility to the Board to coordinate and drive forward the development of the company and carry out strategic engagement with partners and businesses.

The appointment of the Project Lead is considered as crucial to the overall development of TL4B, as the lack of such a figure has represented the single most important reason why progress of the project under its current guise has been somewhat slow. In order to save costs and ensure the retention of working capital in the company during the crucial first year of the company, it has been agreed by the current Interim Board and endorsed by the Partnership that this appointment will be remunerated through investor shares in lieu of salary tied to income generation and investment targets. A specification for this role has been drawn up, attached as Appendix A, with a view to a recruitment process taking place early in the New Year.

In summary, the incorporation of TL4B is considered absolutely vital if the project is ever going to be able to become financially self-sustaining, which it will need to do as it cannot rely forever on local authority funding, particularly in the current climate of public sector funding. It also requires the full flexibility and efficiency of operation that will be afforded through incorporation if it is to exploit its full commercial potential and the market opportunities that currently exist.

5.2 Operational support

The Board and Project Lead will rely on the ongoing operational support of council partners in order to realise the ambitions of this Business Plan. In order to set this out clearly, the outline of a Service Level Agreement has been put together, which specifies the required minimum level of support and

involvement from the councils (irrespective of membership of the Board) if the business is to be able to achieve its vision, as well as what the company will be delivering in order to achieve the vision. This is attached as Appendix B.

In addition, the day to day operational implementation of the business will be supported by an Operations Group, with responsibilities around website development, data management and marketing. This will be staffed by representatives from the councils, as well as private sector businesses with specific and relevant expertise of the aforementioned areas. This group will be led by the Project Lead, but in order to assist the Project Lead with the implementation of operational plans, there will be an additional need for a member of the Operations Group to take on the role of 'Lead Operations Officer'.

The company will also require the following staff, assets and services:

- Part time member of administration staff to support the Project Lead.
- Small office facility to accommodate 2 persons.
- Accounting support & accounting software.
- Banking facilities.
- Insurance cover.
- Ongoing legal services

All of these have been costed and included in the Financial Plan, although it is considered that some of the more significant costs could be heavily mitigated, such as the part time staff member through potential secondment from the private sector, or the offices through either a public or private sector partner making space available pro bono or at much reduced cost.

6 Finance

FINANCIAL FORECAST THINK LOCAL 4 BUSINESS

CASH FLOW 2011 - 2014

EXPENDITURE	Current Actual	2011	2012	Total		2012		2013	Total	Total
	Up to 06/12/2011	Dec-11	Jan - Mar	2011/2012	Apr - Jun	July - Sept	Oct - Dec	Jan - Mar	2012/2013	2013/14
	£	£	£	£	£	£	£	£	£	£
Web Development	9140	5000	400	14540		2500			2500	2500
Web Maintenance			800	800	800	800	800	800	3200	3200
Marketing and Promotion	1992	800	600	3392	1000	3000	2000	1000	7000	7000
Professional Services	3240		900	4140	900	900	900	900	3600	3600
Events					350	700	350	350	1750	1750
Incorporation Stationery			1000	1000			500		500	500
Office Rent					1200	1200	1200	1200	4800	4800
Office support			840	840	1260	1260	1260	1260	5040	5040
Contingency			1000	1000	1000	1000	1000	1000	4000	4000
Total	14372	5800	5540	25712	6510	11360	8010	6510	32390	32390
INCOME	Current Actual	2011	2012	Total		2012		2013	Total	Total
	Up to 06/12/2011	Dec-11	Jan - Mar	2011/2012	Apr - Jun	July - Sept	Oct - Dec	Jan - Mar	2012/2013	2013/14
	£	£	£	£	£	£	£	£	£	£
Prior Year Reserves	12900			12900	2688				2688	11573
Partner Contributions	15500			15500	7000				7000	
Advertising			0	0	4125	5700	8325	8325	26475	49500
Sponsors						1000	2000	1500	4500	6000
Premium Offer					300	500	1000	1500	3300	10000
Events										5000
Total	28400	0	0	28400	14113	7200	11325	11325	43963	70500
Surplus/Deficit	14028	-5800	-5540	2688	7603	-4160	3315	4815	11573	38110
Cumulative	14028	8228	2688		7603	3443	6758	11573		

6.1 Finance commentary

The above cash flow forecast demonstrates that the business will generate a small surplus of 2.7k in 2011/12 which steadily grows in the next financial year to £11.5k and by March 2014 to £38.1k.

This progression is achieved mainly through advertising on the website which gradually increases in 2012/13 to £26.5K and by March 2014 to £49.5k. Other income sources such as sponsorship and special offers will boost this to £70.5k.

Major development work on the website will be virtually complete by March 2012 but overall costs will slightly increase year on year to £32.4k with the running costs of the new company and the marketing and promotional work to drive businesses to the website. This will be funded mainly by advertising revenue and council contributions of £13k.

The overall financial viability of the company however is dependant on achieving a minimum income of around £64k a year. This will be reached towards the end of 2013/14. This income would then cover the running costs of c £32k per year as identified in the cash flow forecast, a salary for an Operational Manager and still generate a surplus of at least £10k which is likely to increase year on year as more businesses register on the site.

7. Summary

2012 - 2014 will be a critical period for TL4B, offering a multitude of opportunities for the business to develop and achieve the stated vision to become the premier website for local businesses to network, inter trade, promote their activities and access useful business related information.

In order to achieve this, the business will need to:

- Continue to develop its online product offering, to provide businesses with more opportunities to build their local profile, develop local networks, access business opportunities and information on national and local business support. In effect, TL4B can become **the** local portal of choice for businesses across Staffordshire.
- Develop a comprehensive and targeted marketing campaign, focussing on cost effective and efficient modern methods.
- Generate a steady and growing income stream from the business, to remove the reliance on local authority funding and allow the business to become fully self-funding from 2012/13 onwards, with the ability to further develop its own operational support infrastructure.
- Put in place a business like legal and governance structure based on a company limited by shares model, supported by an effective Board and operational arrangements, foremost amongst which will be the creation of a Project Lead post remunerated initially by investor shares.

With all of the above ingredients in place, this Business Plan demonstrates that TL4B can achieve its vision whilst becoming a self-financing, profitable venture.

Appendix A

Think Local 4 Business Project Lead Job Role

Think Local 4 Business (TL4B) is a completely free to use business support and networking portal which encourages businesses to intertrade and access support networks.

TL4B already provides:

- Search Engine Optimisation (provides a strong rank for the business profile on Google)
- A free web presence, in effect a basic website / web presence.
- Opportunity to publish news stories and events free of charge
- An ability to connect and interact with other Staffordshire Businesses easily and quickly, to find contacts, suppliers and sales prospects.
- An ability to find and ask for information through discussions group, networks and forums.

We now want to take it to the next level through establishing TL4B as a separate business entity to enable more flexible and faster decision making, as well as more scope to attract private sector investment and respond to the needs of the market.

TL4B will incorporate in April 2012 with a new Board consisting of a balanced mixture of public and private sector representatives, plus a private sector Chair. An interim Board is in place to facilitate this transition and the project lead could be a Board member (though not a requirement, however they would need to attend monthly Board meetings). The Company will have up to 9 Founder Shareholders (the 9 local authorities in Staffordshire) and there will be the ability to award Investor shares to private sector companies who were willing to invest in the business.

We are now seeking to appoint a 'Project Lead' with considerable experience of working within the private sector to drive the development of the business. To maximize the working capital in the business this role will be remunerated purely through the award of investor shares based on the achievements of targets (identified below) by the end of 2012 through the efforts of the post-holder, as well as the general growth and success of TL4B.

In order to have a meaningful impact on the project, it is anticipated that the role will be required for a minimum of 1 year. There will be regular reviews throughout this year, with a final review toward the end of the year to determine the future requirements for the role, which may include an element of salaried remuneration, depending on the achievements of the targets for income generation. The review will also provide the platform to assess the viability of settling an investor share award to the post holder (and any other investors). It will be up to the individual appointed to determine the exact level of time commitment for the role, but it is considered that a minimum of 15 hours per week will be required in the first year.

The Project Lead would be responsible for:

- Project managing the ongoing development of the website to provide additional services, features and user benefits
- Implementing and promoting the premium offer providing additional added value opportunities to business and income generation to the company
- Implementing the marketing plan to increase business usage, develop strategic commercial partnerships, and secure sponsorship, investment and funding
- Engaging and informing existing and new partners about the value of TL4B

- Providing feed back on progress of the 'Business' and being accountable to the Board for actions, resources and any financial agreements

Key Targets – financial year 2012/13

- 3500 business users signed up from across Staffordshire (over 500 already achieved)
- 25% of these businesses using the site on a regular basis – at least once a week.
- 50% of active businesses publishing new stories and events.
- Regular creation and use of discussion boards by registered users.
- Regular creation of networks by registered users.
- Creating annual income from advertising space of £26.5K
- Creating annual income from sponsorship of the site of £4K.
- Ensuring the regular updating of key content.

Anyone interested in this critical and exciting role should send in a CV and covering letter highlighting any relevant experience which indicates a capacity to deliver the required leadership, management and outputs. Please send summary CV and letter to:

James Roberts
Think Local 4 Business
c/o Tamworth Borough Council
Marmion House
Lichfield Street
Tamworth
Staffordshire B79 7BZ

Email: james-roberts@tamworth.gov.uk

Tel. 01827 709204

Any queries or questions about the role should also be directed to the above.

Closing date for applications is 20th January 2010. Meetings with prospective candidates will take place during week commencing 30th January on mutually convenient dates to be arranged with individual candidates.

Appendix B

Outline Service Level Agreement between Think Local Limited and Founder Shareholders (local authority members)

Think Local Limited exists with the purpose of realising the vision of Think Local 4 Business as outlined in the Business Plan 2012 - 2014, namely:

Think Local 4 Business will become the premier website for local businesses to network, inter trade, promote their activities and access useful business related information.

In order to support the delivery of this vision, Think Local Limited undertakes to:

1. Develop and provide a range of tools, information and support services to the local business community via the TL4B website, as stipulated in the Business Plan and as deemed appropriate by the Board from time to time.
2. Engage with the local business population using all means at the company's disposal in order to promote the use of TL4B and its tools, information and support services, and encourage further business to business networking.
3. Generate an income stream into the company via sponsorship, advertising and the development and sale of premium services to business users.
4. Manage and host the TL4B website, ensuring that any enhancements are implemented effectively, the general content is kept up to date and that problems and issues are dealt with in a timely fashion. To provide statistics on website usage.
5. Administer and manage the company, Board and shareholder affairs in an effective and timely manner and keep Founder and Investor Shareholders abreast of developments.
6. Promote the adoption and adherence to the Think Local Pledge and promote sustainable procurement practices amongst local authorities, other public sector organisations and the wider business community.
7. Engage with non LA partners and stakeholders to encourage the adoption of TL4B values and to keep them informed of progress with the business.

In order to support the delivery of this vision, Founder Shareholders in turn undertake to:

1. Approve and administer business registrations and data.
2. Manage and respond to Think Local related enquiries for the relevant business population.
3. Review, amend and add district appropriate content.
4. Attend necessary training and keep up to date on Think Local products and services.
5. Attend regular operations group meetings.
6. Provide district relevant email addresses and other necessary non Think Local registered Business data.
7. Actively promote Think Local through any appropriate means including occasional attendance of relevant events.
8. Continually promote the adherence to the Think Local Pledge and promote sustainable procurement practices within their own council
9. Provide evidence to support their organisation's progress in meeting the requirements of the Think Local Pledge.

	the Company or all or any substantial part of its property or if the Company applies for any arrangement with its creditors or Members or if the Company shall make an assignment of its intellectual property for the benefit of creditors (other than in the ordinary course of business) or if the Company shall authorise the putting into writing its inability to pay its debts as they fall due or a reduction in capital of the Company or a return of capital
Member	means the person, entity, association, corporate body or local authority body registered as the holder of any shares in the capital of the Company
Redemption Price	means the price per share to be equal to the value of the consideration given or credited as paid by each Founder Member for each Founder Share of which they are holders plus any premium
Sale	means the acceptance of an offer or the making of an agreement which upon the satisfaction of the conditions (if any) of such offer or agreement results in an acquisition of a Controlling Interest
shares	means shares of any class in the capital of the Company
Triggering Event	means either of: <ul style="list-style-type: none"> (a) a Liquidation Event; or (b) a Sale

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

SHARE CAPITAL

4. The authorised share capital of the Company is £500,000 divided into 100,000 Ordinary Founder shares of £1.00 each (to be known as "Founder Shares") and 400,000 A Ordinary shares of £1 each (to be known as "A Shares").

5. The Founder Shares and A Shares shall have the rights of ordinary shares in the Company but shall otherwise constitute separate classes of shares and save as expressly provided, shall rank as pari passu in all respects.

6. Subject to the Articles of Association, 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.

7. The Company may issue shares which are to be redeemed, or are liable to be redeemed at the option of the Company or the holder, and the Directors may determine the terms, conditions and manner of redemption of any such shares.

8. The shares of the Company may be allotted or otherwise disposed of to such persons and for such consideration and upon such terms as the Directors may determine subject, in the case of any shares forming part of any increased capital, to such directions as to the allotment or disposal thereof as may be given by the Company in General Meeting at the time of the creation of such shares.

9.- (1) The Company may by ordinary resolution declare dividends, and the Directors may decide to pay interim dividends.

(2) A dividend must not be declared unless the Directors have made a recommendation as to its amount. Such a dividend must not exceed the amount recommended by the Directors.

(3) No dividend may be declared or paid unless it is in accordance with Members' respective rights.

(4) Unless the Members' resolution to declare or Directors' decision to pay a dividend, or the terms on which shares are issued, specify otherwise, it must be paid by reference to each Member's holding of shares on the date of the resolution or decision to declare or pay it.

(5) When the Company's share capital is divided into different classes, no interim dividend may be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears.

(6) The Directors may pay at intervals any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment.

(7) If the Directors act in good faith, they do not incur any liability to Members holding shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on shares with deferred or non-preferred rights.

FOUNDER SHARES

10.-(1) Members holding Founder Shares shall be entitled to the following voting rights:

- (a) As regards voting at General Meetings of the Company, Members holding Founder Shares shall have the right to receive notice of all General Meetings of the Company and shall have a right to attend thereat either in person or by proxy but not to vote by virtue of or in respect of their holdings of Founder Shares, unless:
 - (i) the resolution is one which directly or indirectly varies, modifies alters or abrogates any of the rights, privileges, limitations or restrictions attaching to the Founder Shares; or
 - (ii) the resolution is for the winding up of the Company, the reduction of share capital, the approval of the giving of financial assistance or the purchase by it of any of its shares; or
 - (iii) there shall have occurred a material breach by the Company or any Directors of any of the provisions of these Articles provided that the holders of the Founder Shares shall cease in respect of their holdings of such shares to be entitled to vote upon any resolution upon such breach being remedied to the reasonable satisfaction of a majority of the holders of the Founder Shares; or
 - (iv) the resolution is one to remove a Founder Director from office; and

holders of the Founder Shares shall cease in respect of their holdings of such shares to be entitled to vote upon, in the case of either of paragraphs (1)(a) (i) or (1)(a) (ii) above, the relevant resolution being decided upon (whether by passage, failure or withdrawal).

- (b) When entitled to vote pursuant to this paragraph (1)(a) of this Article, every holder of Founder Shares shall have such number of votes as exceeds by one vote the number of votes required to be cast whether on a show of hands or a poll or a resolution in writing:
 - (i) to defeat a proposal for a resolution which has effect to alter amend or delete any of or all of paragraph 10(1)(a) of these Articles of Association including should it be the case, a resolution to amend an existing Article (other than paragraph (1)(a) of this Article or to insert a new Article in either case the effect of which is to alter any of the rights of the holders

of any shares arising under paragraph (1)(a) of this Articles;
or

- (ii) to defeat a proposal for a resolution which has effect to alter amend or delete Article 16 of these Articles of Association; or
- (ii) to defeat a proposal for a resolution for the deletion or alteration of this paragraph (1)(b) or the cancellation or alteration of these Articles of Association or any other act which would have the same or a similar effect.

(2) Other than a resolution proposing to increase the authorised capital of the Company, further to and in addition to the rights at Article 10(1), no resolution proposing the alteration of any Article of these Articles of Association of the Company (whether by addition, deletion, substitution, amendment or otherwise) shall be approved as a resolution of the Company unless the holders of not less than 75% in nominal value of the Founder Shares then in issue first agree in writing that the resolution may be proposed to all of the holders of shares in the Company.

(3) As regards dividends, the holders of the Founder Shares shall not be entitled to receive any dividend unless:

- (a) the Directors of the Company have first so resolved; and
- (b) the holders of not less than 75% in nominal value of the Founder Shares then in issue agree by a resolution in writing that a dividend should be received on all the Founder Shares and A Shares then in issue; and

if so agreed, each of the properly registered holders of Founder Shares and A Shares shall become entitled to receive a dividend in proportion to the number of shares held by each of them in the issued shares of all classes in the Company.

(4) On the occurrence of a Liquidation Event in preference to all other Members, the holders of Founder Shares shall be entitled to a payment out of the surplus assets of the Company remaining after settlement of its liabilities, such payment to be equal to the value of the consideration given or credited as paid by them for the Founder Shares of which they are holders.

(5) Any consideration paid or payable on a Sale shall be payable to all the Members of the Company who are registered as the holders of Founder Shares or A Shares in proportion to their holding of shares pro rata the shares then held by them after the holders of Founder Shares shall have been paid from the consideration receivable an amount equal to the value of the consideration given or credited as paid by them for the Founder Shares of which they are holders.

(6) As regards redemption:

- (a) the Company shall have the right at any time to redeem Founder Shares at the Redemption Price by giving the holders of Founder Shares not less than 3 months' notice in writing;
- (b) the Company shall give the holders of the Founder Shares further written notice of redemption not later than seven days prior to the date of redemption which notice shall be irrevocable and shall fix the time and place for such redemption and shall specify the Founder Shares to be redeemed, such Founder Shares to be redeemed amongst the holders of the Founder Shares for the time being in the proportion in which their holding of Founder Shares bears to the total number of the relevant class of Founder Shares outstanding prior to such redemption. At the time and place so fixed the registered holders of the Founder Shares to be redeemed shall be bound to deliver to the Company the certificates for such Founder Shares (or an indemnity in respect thereof reasonably satisfactory to the Company) for cancellation and thereupon the

Company shall pay to (or to the order of) such holders all the monies payable in respect of the redemption of such Founder Shares and such payment shall be made through a bank if the Company shall think fit. If any certificate so delivered to the Company shall include any Founder Shares not redeemed on the occasion for which it is so delivered, the Company shall issue without charge a fresh certificate for such Founder Shares;

- (c) there shall be paid on the redemption of each Founder Share the Redemption Price calculated up to and including the date of redemption. The receipt of a person authorised by the registered holder for the time being of any Founder Shares so redeemed for money payable on redemption thereof shall constitute an absolute discharge to the Company in respect thereof;
- (d) if any holder of Founder Shares whose shares are liable to be redeemed under this paragraph shall fail or refuse to deliver up the certificate for his shares the Company may retain the redemption monies until delivery up of the certificate or of any indemnity in respect thereof reasonably satisfactory to the Company and shall within seven days thereafter pay the redemption monies to the Members. No holder of Founder Shares shall have any claim against the Company in respect of interest on monies retained pursuant to this paragraph.

(7) Subject to the Companies Act 2006 the Company shall be authorised to make a payment in respect of the redemption or purchase of any of its own shares otherwise than out of distributable profits of the Company or the proceeds of a fresh issue.

ISSUE OF SHARES

11.-(1) Subject to Article 11(5) and any direction to the contrary which may be given by a resolution of the Company, and subject to any statutory provision, any unissued shares in the capital of the Company shall be at the disposal of the Directors who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms and conditions as the Directors may determine.

(2) The Directors are by this Article authorised to exercise all powers of the Company to allot all relevant securities, such authority shall be unconditional and for the exercise of such power generally. The maximum amount of relevant securities that may be the subject of allotment under such authority shall be the amount by which the nominal amount of the authorised share capital of the Company exceeded the nominal amount of the issued share capital of the Company at the date of adoption of these Articles.

(3) Unless the authority at Article 11(2) is renewed that authority will expire on the date five years from the date on which the resolution adopting these Articles is passed save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot the relevant securities in pursuance of such offer or agreement accordingly.

(4) The amount of a relevant security for the purposes of Article 11(3) shall in the case of a share in the Company mean its nominal amount, and in the case of a right to subscribe for, or to convert a security into, shares in the Company shall mean the nominal amount of shares in the Company which would be required to satisfy such right (assuming full exercise).

(5) The Directors may allot relevant securities pursuant to the authority contained in this Article 10 as if section 561 of the Companies Act 2006 did not apply to the allotment of any such securities.

MEMBERS' RESERVE POWER

12.-(1) The Members may, by special resolution, direct the Directors to take, or refrain from taking, specified action.

(2) No special resolution made under paragraph (1) invalidates anything which the Directors have done before the passing of that resolution.

TRANSFER OF SHARES

13.-(1) If any holder of shares in the capital of the Company (in this Article 13 called the "Vendor") desires to transfer any interest in any of his shares, he shall give to the Directors notice in writing (a "Transfer Notice") of such desire and stating the number of shares in respect of which the Vendor desires to effect such transfer. A Transfer Notice shall be irrevocable.

(2) Unless otherwise agreed in writing by the holders of 75% in nominal value of the issued Founder Shares, no Founder Shares may be transferred unless such shares have first been offered on equal terms to all the holders of Founder Shares pro rata, as nearly as practicable, to Members holding shares of that class. No Founder Shares may be offered for sale or transfer unless all Founder Members have first been offered the Founder Shares proposed to be transferred. A Founder Share may only be transferred to a Founder Member unless all the Founder Members have first declined to purchase that share.

(3) A Transfer Notice shall constitute the Directors the Vendor's agent for the sale of the shares to which the Transfer Notice relates at a price agreed between the Vendor and the Directors as being the fair selling value thereof as at the date of receipt by the Directors of the Transfer Notice as between a willing vendor and a willing purchaser dealing at arm's length. If not so agreed the price shall be such value as shall be certified in writing by either, the Auditors for the time being of the Company or, if either the Vendor or Directors object, an independent firm of chartered accountants nominated jointly by the Vendor and the Directors or, failing such nomination, nominated at the request of either of them by the President for the time being of the Institute of Chartered Accountants in England and Wales. In so certifying the Auditors or such independent firm as aforesaid, shall be considered to be acting as experts and not as arbitrators. The cost of obtaining the certificate given under this paragraph (3) shall be borne by the Company and the Directors shall, as soon as they receive the certificate, furnish a copy thereof to the Vendor. Provided always that if a Member is willing to pay a higher price for the shares in question than the fair selling value as so certified then such shares may be sold at such higher price.

(4) Within seven days after receipt of the Transfer Notice or, where no price is agreed between the Vendor and the Directors in accordance with Article 13(3), within seven days after receipt of the auditor's certificate under that paragraph, the Directors shall give notice in writing to all the Members (other than the Vendor) who are holders of the class of share comprised in the Transfer Notice of the number and price of the shares which the Vendor desires to transfer and shall invite each of them to state in writing within 21 days after the date of the notice whether he is willing to purchase any and, if so, what maximum number of the said shares.

(5) If, within the period of 21 days mentioned in Article 13(4), the Members have expressed their willingness together to purchase all of the shares the subject of the Transfer Notice, the Directors shall give the Vendor written notice thereof and within 14 days thereafter shall proceed to allocate the relevant shares among Members pro rata, as nearly as practicable, to their existing holdings of shares. If this would otherwise result in allotting to one or more Members a number of shares exceeding their requests, then the surplus shares shall be redistributed among such other Members who shall have expressed their willingness to purchase the shares pro rata, as nearly as practicable, to their

holdings of shares, but only up to the amount of their respective requests, and this procedure shall be repeated until all the shares the subject of the Transfer Notice have been distributed.

(6) So soon as any allocation has been made pursuant to Article 13(5), the Vendor shall be bound, upon payment of the price, to transfer the relevant shares to the purchaser or respective purchasers thereof, and if he shall make default in so doing the Directors shall receive and give good discharge for the purchase money on behalf of the Vendor and shall authorise some person (who shall be deemed to be the attorney of the Vendor for that purpose) to execute in favour of the purchaser or respective purchasers a transfer of the shares allocated to him or them.

(7) If, after the expiration of the period of 21 days mentioned in Article 13(4) above, the Members shall have expressed their willingness to purchase part only of any Founder Shares subject of the Transfer Notice, or no Member shall have expressed his willingness to purchase any of those shares or if through no fault of the Vendor the purchase or the purchases are not completed within 14 days of the expiry of such 21 day period, then the Directors shall, within seven days give notice in writing to all Members (other than the Vendor) who are the holders of any class of share of the number and price of the shares which have not been purchased pursuant to the foregoing provisions of this Article and shall invite each of them to state in writing within 21 days after the date of the notice whether he is willing to purchase any and, if so, what maximum number of the said shares, and the provisions of Articles 13(4) and (5) shall thereafter apply, mutatis mutandis, with regard to the allocation and transfer of the said shares.

(8) If, after the expiration of the period of 21 days mentioned in Article 13(5) above, the relevant Members shall have expressed their willingness to purchase part only of the shares the subject of the Transfer Notice, or no such Member shall have expressed his willingness to purchase any of those shares or if through no fault of the Vendor's the purchase or the purchases are not completed within 14 days after the expiry of such 21 day period, then for a period of 21 days the Company may subject to the final sentence of this paragraph offer to any person or persons whom it selects all or part of the unsold shares to which the Transfer Notice relates (or may purchase such shares itself if permitted to do so by law) at a price per share not less than the corresponding price per share in relation to the relevant Transfer Notice. If the Company shall not within the period of 21 days find purchasers willing to purchase all of the said shares or if through no fault of the Vendor any such purchase is not completed within 14 days of such 21 day period then for a period of 21 days (after which the Transfer Notice shall expire) the Vendor shall be entitled subject to the final sentence of this paragraph to transfer to any person or persons whom he selects all or part only of the said shares to which the Transfer Notice relates and which have not been purchased pursuant to the above provisions at a price per share not less than the corresponding price per share in relation to the relevant Transfer Notice.

(9) The instrument of transfer of any share shall be signed by or on behalf of the transferor (and in the case of a partly paid share the transferee) and the transferor shall be deemed to remain the registered holder of the share until the name of the transferee is entered in the register in respect thereof.

DRAG ALONG PROVISIONS

14.-(1) In the event that an Acquirer Acquires or seeks to Acquire a Controlling Interest in the Company no such Acquirer shall be entitled or permitted to Acquire a Controlling Interest in the Company and no transfers of shares conferring such a Controlling Interest shall be registered by the Company unless and until the Acquirer shall have made an offer to all the holders of all the Founder Shares in issue in the Company at the relevant time (other than the Acquirer if he is already a holder of shares in the Company) to purchase from

them for cash their entire holding of Founder Shares in the Company upon terms that the Total Price per share (as defined at Article 14(7)) shall not be less than the Minimum Price (as defined at Article 14(7)) and otherwise than on the terms specified in this Article.

(2) Where an offer is made pursuant to the provisions of Article 14(1) the Directors of the Company shall as soon as practicable convene a General Meeting of all of the holders of shares in the Company at which will be proposed a special resolution ("the Special Resolution") for the approval of the offer by all shareholders.

(3) If the Special Resolution shall be passed every Founder Member (but not every holder of A Shares) shall become bound to transfer all Founder Shares to the Acquirer for the consideration stated in the terms of the offer. If any Founder Member shall fail to transfer all his shares the Directors may authorise some person to execute any necessary transfers or other documents. The purchase money or other consideration due to a defaulting transferor shall be received by the Company or by a person appointed by the Directors who shall hold it in trust for the defaulting transferor. The receipt of the Company shall be a good discharge to the Acquirer and after the name of the Acquirer shall have been entered on the register of Members in purported exercise of the aforesaid powers the validity of the proceedings shall not be questioned by any person.

(4) If the Special Resolution shall be passed any restrictions on transfers of shares contained in the Articles of Association of the Company shall not apply in relation to the transfer of Founder Shares pursuant to the offer and the Directors shall be bound to register every such transfer. If such a Special Resolution shall not be passed then any restrictions shall continue to apply and no transfers of any shares pursuant to any acceptance of the offer shall be registered unless and until each Member concerned shall have complied with such provisions of Article 13 as apply in the circumstances are exhausted.

(5) For the avoidance of doubt an offer to be made by the Acquirer for the purposes of Article 14(1) may include one which is to be accepted by the making of a private contract as well as one made by general offer and may include one which is subject to contract which is in some way conditional. If the offer does not become unconditional then any Special Resolution passed shall be a nullity and no Member shall be entitled or bound to sell any shares.

(6) No Member shall be bound to such an offer by an Acquirer unless there is circulated to all Members with the notice convening the General Meeting a statement setting out the terms of the offer together with copies of all documents required to be executed by acceptors of it, and notwithstanding any other provision of these Articles, 21 days notice of the holding of such Meeting shall be given.

(7) An offer to be made by the Acquirer for the purposes of Article 14(1) shall be regarded as made on the same terms to all Members notwithstanding that:

- (a) some Members and not others are to receive remuneration for services to be rendered by them provided that the remuneration represents an open market consideration for the provision of those services; or that
- (b) some Members have agreed to provide warranties, indemnities or non-competition covenants more onerous than any contained or referred to in the offer.

(8) The following expressions shall have the following meanings for the purposes of Article 14:

- (a) The "Total Price per share" shall mean the total consideration offered or paid or payable by the Acquirer or his nominees for the shares (or interest, direct or indirect in the shares) plus any other consideration (in cash or otherwise) received or receivable by any holders thereof which having regard to the substance of the

transaction as a whole can reasonably be regarded as additional to the price paid or payable for such shares (or interest as aforesaid) divided by the number of shares in question.

- (b) The "Minimum Price" shall be the price per share which shall be not less than the higher of the highest price per share (after any additions as described at paragraph (8)(a) above) at which the Acquirer shall have Acquired any shares of the Company (or any interests therein) during the 6 months prior to the making of the offer required by Article 14(1) and the highest price per share (after any additions as aforesaid) offered by the Acquirer for the Acquisition of any shares (or interest therein) held by any Member during the 6 months prior to the making of the offer required by Article 14(1) and for these purposes an offer need not be binding or unconditional if it would be reasonable for the recipient to regard it as a proposal in respect of which there was a serious intention to carry it into effect.

SALE OF THE COMPANY

15.-(1) In the event that any person or persons who was not or were not a Member or Members of the Company on the date of the adoption of these Articles ("the New Member") either alone or in concert (as such expression is defined in the City Code on Takeovers and Mergers) with any other person(s), other than any person who was a Member at the date of these Articles, shall become beneficially entitled to Founder Shares and / or A Shares representing in aggregate more than 49% of the issued total share capital of the Company after the date of adoption of these Articles (other than as a result of transfers by Founder Members to other Founder Members who were existing holders of Founder Shares as at the date of adoption of these Articles) he shall forthwith be required to serve notice on the Company that he is so beneficially entitled and shall thereupon be bound to offer to purchase:

- (a) the remaining shares in the Company and
- (b) all in the Company which are issued on the exercise of options to acquire new shares in the Company which are exercisable and are exercised in the period of one month after the acquisition by the New Member of its interest in the Company which require it to serve such notice ("Relevant Options") at a price per share ("the Takeover Price") equal to:
 - (i) if the New Member shall have acquired any shares for cash in a bona fide arm's length transaction in the Company within the period of 12 months preceding the date on which he became beneficially entitled as aforesaid then in the case of shares of the same class, the highest price per share paid by the New Member for such shares in the Company acquired by him during that period; and
 - (ii) in any other case, such price as shall be agreed or determined in accordance with the provisions for valuation of the shares as set out in Article 13(3).

(2) The Company shall forthwith give notice to every Member other than the New Member and to every holder of a Relevant Option that he may within 28 days from the date of such notice or, if later, within 28 days after exercise by that holder of the Relevant Option sell his shares to the New Member at the Takeover Price. Any Member may accept such offer by giving notice of his intention so to do to the Company accompanied by share certificates for the shares agreed to be sold together with the necessary transfers.

(3) The Directors may at any time require any Member to furnish the Company with details of the beneficial interests in the shares held by such Member.

(4) The Directors may require to be satisfied that the shares acquired by the New Member referred to in Article 15(1) were acquired bona fide for the consideration stated in the transfer without any deduction rebate or allowance whatsoever to the purchaser and if not so satisfied may require a price to be agreed or determined in accordance with Article 13(3).

(5) If the New Member shall fail to offer for (or, if and to the extent that the offer is accepted, complete the purchase of) the shares held by other Members he (and any Member with whom he is acting in concert as provided in Article 15(1)) shall cease to have any rights to vote or to dividends in respect of all the shares held by him and the Directors may refuse to register the transfer of the shares acquired by the New Member which give rise to the obligations under Article 15(1) and may require the New Member to serve a Transfer Notice in accordance with Article 13(1) in respect of all the shares held by him.

DIRECTORS

16.-(1) Unless and until otherwise determined by a resolution of the Company, the Directors shall be not less than three in number and not more than seven thirteen [delete as appropriate].

(2) Any Director appointed by a Member or any group of Members holding Founder Shares ("Founder Director") may be removed by the Member or Members so appointing. Any removal under this paragraph shall be effected by notice in writing to the Company which will take effect on delivery at the registered office of the Company or at any meeting of the Board of Directors.

17.-(1) At a Directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting.

(2) The quorum for Directors' meetings may be fixed from time to time by a decision of the Directors, but it must never be less than three, and unless otherwise fixed it is three.

(3) Notwithstanding paragraph (2) a meeting of Directors shall not be quorate and proceed to business unless one of the Directors present thereat is a Founder Director.

18.-(1) The Directors may appoint a Director to chair their meetings. The person so appointed for the time being is known as the Chair.

(2) The Directors may appoint another Director as vice Chair to chair Directors' meetings in the Chair's absence.

(3) The Directors may terminate the appointment of the Chair or vice Chair at any time.

(4) If neither the Chair nor any Director appointed to chair Directors' meetings in the Chair's absence is participating in a meeting within ten minutes of the time at which it was to start, the participating Directors may appoint one of themselves to chair it.

19. If the numbers of votes for and against a proposal are equal, the Chair or other Director chairing the meeting has a casting vote but this does not apply if, in accordance with the Articles, the Chair or other Director is not to be counted as participating in the decision-making process for quorum or voting purposes.

20.-(1) Subject to the Articles, a decision is taken at a Directors' meeting by a majority of the votes of the participating Directors.

(2) Subject to the Articles, each Director participating in a Directors' meeting has one vote.

(3) A Director who is also an alternate Director has a single additional vote on behalf of each appointor who is—

(a) not participating in a Directors' meeting, and

- (b) would have been entitled to vote if they were participating in it.

DIRECTORS CONFLICTS OF INTEREST

21.-(1) The Directors may, in accordance with the requirements set out in this Article 21, authorise any matter proposed to them by any Director which would, if not authorised, involve a Director in breaching his duty under section 175 of the Companies Act 2006 to avoid conflicts of interest ('Conflict').

(2) Any authorisation under Article 21(1) will be effective only if:

- (a) the matter in question shall have been proposed by any Director for consideration at a meeting of Directors in the same way that any other matter may be proposed to the Directors under the provisions of these Articles or in such other manner as the Directors may determine;
- (b) any requirement as to the quorum at the meeting of the Directors at which the matter is considered is met without counting the Director in question; and
- (c) the matter was agreed to without his voting or would have been agreed to if his vote had not been counted.

(3) Any authorisation of a Conflict under this Article may (whether at the time of giving the authorisation or subsequently):

- (a) extend to any actual or potential conflict of interest which may reasonably be expected to arise out of the Conflict so authorised;
- (b) be subject to such terms and for such duration, or impose such limits or conditions as the Directors may determine;
- (c) be terminated or varied by the Directors at any time.

This will not affect anything done by the Director prior to such termination or variation in accordance with the terms of the authorisation.

(4) In authorising a Conflict the Directors may decide (whether at the time of giving the authorisation or subsequently) that if a Director has obtained any information through his involvement in the Conflict otherwise than as a Director of the Company and in respect of which he owes a duty of confidentiality to another person the Director is under no obligation to:

- (a) disclose such information to the Directors or to any Director or other officer or employee of the Company;
- (b) use or apply any such information in performing his duties as a Director,

where to do so would amount to a breach of that confidence.

(5) Where the Directors authorise a Conflict they may provide, without limitation (whether at the time of giving the authorisation or subsequently) that the Director:

- (a) is excluded from discussions (whether at meetings of Directors or otherwise) related to the Conflict;
- (b) is not given any documents or other information relating to the Conflict;
- (c) may or may not vote (or may or may not be counted in the quorum) at any future meeting of Directors in relation to any resolution relating to the Conflict.

(6) Where the Directors authorise a Conflict:

- (a) the Director will be obliged to conduct himself in accordance with any terms imposed by the Directors in relation to the Conflict;

- (b) the Director will not infringe any duty he owes to the Company by virtue of sections 171 to 177 of the Companies Act 2006 provided he acts in accordance with such terms, limits and conditions (if any) as the Directors impose in respect of its authorisation.

(7) A Director is not required, by reason of being a Director (or because of the fiduciary relationship established by reason of being a Director), to account to the Company for any remuneration, profit or other benefit which he derives from or in connection with a relationship involving a Conflict which has been authorised by the Directors or by the Company in General Meeting (subject in each case to any terms, limits or conditions attaching to that authorisation) and no contract shall be liable to be avoided on such grounds.

22.-(1) Subject to the Articles, the Directors may delegate any of the powers which are conferred on them under the Articles—

- (a) to such person or committee;
- (b) by such means (including by power of attorney);
- (c) to such an extent;
- (d) in relation to such matters or territories; and
- (e) on such terms and conditions,

as they think fit.

(2) If the Directors so specify, any such delegation may authorise further delegation of the Directors' powers by any person to whom they are delegated.

(3) The Directors may revoke any delegation in whole or part, or alter its terms and conditions.

APPOINTMENT AND RETIREMENT OF DIRECTORS

23.-(1) At the annual General Meeting next following the date of adoption of these Articles all the Directors shall retire from office, and at every subsequent annual General Meeting one-third of the Directors who are subject to retirement by rotation or, if their number is not three, the number nearest to one-third shall retire from office; but, if there is only one Director who is subject to retirement by rotation, he shall retire.

(2) Subject to the provisions of the Act, the Directors to retire by rotation shall be those who have been longest in office since their last appointment or reappointment, but as between persons who became or were last reappointed Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

(3) If the Company, at the meeting at which a Director retires by rotation, does not fill the vacancy the retiring Director shall, if willing to act, be deemed to have been reappointed unless at the meeting it is resolved not to fill the vacancy or unless a resolution for the reappointment of the Director is put to the meeting and lost.

(4) No person other than a Director retiring by rotation shall be appointed or reappointed a Director at any General Meeting unless -

- (a) he is recommended by the Directors; or
- (b) not less than fourteen nor more than thirty-five clear days before the date appointed for the meeting, notice executed by a member qualified to vote at the meeting has been given to the Company of the intention to propose that person for appointment or reappointment stating the particulars which would, if he were so appointed or reappointed, be required to be included in the Company's register of Directors together with notice executed by that person of his willingness to be appointed or reappointed.

(5) Not less than seven nor more than twenty-eight clear days before the date appointed for holding a General Meeting notice shall be given to all who are entitled to receive notice of the meeting of any person (other than a Director retiring by rotation at the meeting) who is recommended by the Directors for appointment or reappointment as a Director at the meeting or in respect of whom notice has been duly given to the Company of the intention to propose him at the meeting for appointment or reappointment as a Director. The notice shall give the particulars of that person which would, if he were so appointed or reappointed, be required to be included in the Company's register of Directors.

24.-(1) Subject to Article 23, the Company may by ordinary resolution appoint a person who is willing to act to be a Director to fill a vacancy and may also determine the rotation in which any Director so appointed is to retire.

(2) If at any time there are insufficient Directors to constitute a quorum as required under the regulations in Articles 17(1) and (2), a Director or Directors may be appointed to fill a vacancy (provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles as the maximum number of Directors) or make up a quorum or to call a General Meeting to do so. A Director so appointed shall hold office only until the next following annual General Meeting and shall not be taken into account in determining the Directors who are to retire by rotation at the meeting. If not reappointed at such annual General Meeting, he shall vacate office at the conclusion thereof.

(3) Subject as aforesaid, a Director who retires at an annual General Meeting may, if willing to act, be reappointed. If he is not reappointed, he shall retain office until the meeting appoints someone in his place, or if it does not do so, until the end of the meeting.

25. A person ceases to be a Director as soon as—

- (a) that person ceases to be a Director by virtue of any provision of the Act or is prohibited from being a Director by law;
- (b) a bankruptcy order is made against that person;
- (c) a composition is made with that person's creditors generally in satisfaction of that person's debts;
- (d) a registered medical practitioner who is treating that person gives a written opinion to the Company stating that that person has become physically or mentally incapable of acting as a Director and may remain so for more than three months;
- (e) by reason of that person's mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have;
- (f) notification is received by the Company from the Director that the Director is resigning from office as Director, and such resignation has taken effect in accordance with its terms.

POWERS OF DIRECTORS

25.-(1) The Directors on behalf of the Company may exercise all the powers of the Company to grant pensions annuities or other allowances and benefits in favour of any person including any Director or former Director or the relations, connections or dependants of any Director or former Director. A Director or former Director shall not be accountable to the Company or the Members for any benefit of any kind conferred under or pursuant to this Article and the receipt of any such benefit shall not disqualify any person from being or becoming a Director of the Company. The Directors may by resolution exercise any power conferred by statute to make provision for the benefit of persons employed or formerly employed by the Company or any of its subsidiaries in connection with

the cessation or the transfer to any person of the whole or part of the undertaking of the Company or that subsidiary.

(2) The Company may exercise all the powers conferred by statute with regard to the affixing of any official seal, and such powers shall be vested in the Directors. Any instrument to which an official seal is affixed shall be signed by such persons, if any, as the Directors may from time to time determine.

(3) The Directors may entrust to and confer upon any Director any of the powers exercisable by them upon such terms and conditions and with such restrictions as they may think fit, and either collaterally with or to the exclusion of their own powers and may from time to time revoke, withdraw, alter or vary all or any of such powers.

(4) The Directors may from time to time appoint one or more of their body to any executive office (including that of managing Director, manager or any other salaried office) for such period and upon such terms as the Directors may determine and may revoke or terminate any such appointment. Any Director appointed to an executive office shall receive such, if any, remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine, and either in addition to or in lieu of his remuneration as a Director.

(5) The Directors shall have full powers of management and control over the conduct and affairs of the Company and by way of addition to and not in limitation of and without prejudice to the general powers hereinbefore conferred on them and in particular but without prejudice to the foregoing they shall have full power to appoint a paid Secretary.

GENERAL MEETINGS

26.-(1) The Company shall hold a General Meeting annually ("the Annual General Meeting") in September or October of each year.

(2) At each Annual General Meeting any Directors—

- (a) who have been appointed by the Directors since the last Annual General Meeting, or
- (b) who were not appointed or reappointed at one of the preceding two Annual General Meetings, must retire from office and may offer themselves for reappointment by the Members.

27.-(1) A person is able to exercise the right to speak at a General Meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.

(2) A person is able to exercise the right to vote at a General Meeting when—

- (a) that person is able to vote, during the meeting, on resolutions put to the vote at the meeting, and
- (b) that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.

(3) The Directors may make whatever arrangements they consider appropriate to enable those attending a General Meeting to exercise their rights to speak or vote at it.

(4) In determining attendance at a General Meeting, it is immaterial whether any two or more Members attending it are in the same place as each other.

(5) Two or more persons who are not in the same place as each other attend a General Meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

28. No business other than confirmation of the appointment of the chair of the meeting is to be transacted at a General Meeting if the persons attending it do not constitute a quorum. Subject to the rules in this Article 25, the quorum for a General Meeting shall be three Founder Members.

29.-(1) The Chair shall chair General Meetings if present and willing to do so.

(2) If the Directors have not appointed a Chair, or if the Chair is unwilling to chair the meeting or is not present within ten minutes of the time at which a meeting was due to start—

(a) the Directors present, or

(b) (if no Directors are present), the meeting,

must appoint a Director or Member to chair the meeting, and the appointment of the chair of the meeting must be the first business of the meeting.

30.-(1) As a matter overriding any other provision of these Articles any resolution of a meeting of the Directors relating to any of the matters referred to in Article 30(2) shall not be a valid and binding act of the Company unless and until the written approval of the holders of at least 50% in nominal value of the issued Founder Shares to such resolution shall have been obtained.

(2) The matters referred to in Article 30(1) are:

(a) any material change in the nature of the business of the Company or the overall manner in which the business and operations of the Company are managed and carried on;

(b) any sale, lease, exchange, transfer, assignment, licence, parting with possession or other disposal of any intellectual property, expertise, confidential information know-how;

(c) any purchase, lease, acquisition or taking of options over any property or assets valued in excess of £10,000;

(d) the voluntary liquidation (wholly or partly) of the Company or the commencement of proceedings whereby it may be wound-up.