

# A Community Interest Company



**SOWTech**  
Sustainable OneWorld Technologies

A summary of what it is, how it functions and why it suits our plans

**A Community Interest Company (CIC) is a limited liability company which trades for the benefit of the community. The company is expected to make profits but these are for the benefit of the community they seek to serve and not solely for the shareholders. There are several different forms of CIC; the form which SOWTech have chosen is one which is limited by shares and which is allowed to distribute a limited amount of dividend to shareholders (Schedule 3). This form is felt to be the most suitable for the business model which the founders seek. The information given below is intended as a guide to this relatively unfamiliar corporate structure and is primarily drawn or quoted from the CIC Regulator's "Guidance Notes".**

## A CIC is a company

The enterprise is registered and accountable to Companies House and not the Charities Commission. It is a social enterprise. Using the CIC Schedule 3 model it is similar to a "Ltd" company in the following ways:

- It submits annual accounts to Companies House
- It is regulated by the same legislation
- It can pay its employees
- It can have shareholders
- It can pay dividends to shareholders
- It has Directors
- It pays tax like a "Ltd"

## What makes it different to a "Ltd"

The following quote is how the regulator describes the difference.

*Most ordinary companies, even those that provide benefits to the community, are set up and run mainly for the benefit of their own members and employees. However CICs are different, as their primary purpose is to provide benefits to the community, rather than to the individuals who own, run or work in them. In the legislation, this core principle is set out as the "community interest test". A company satisfies the community interest test if a reasonable person might consider that its activities (or proposed activities) are carried on for the benefit of the community.*

To achieve these objectives a number of key constraints are placed on a CIC to ensure that benefit is distributed in an appropriate manner. The following are the key features of these constraints.

- It has to submit an annual "Community Interest Statement" to the regulator to demonstrate community benefit
- It has an Asset Lock which constrains disposal of company assets
- It has a cap on how much profit can be distributed by dividend to shareholders
- It is regulated in respect of the above items by a dedicated CIC regulator based within the Department of Business Innovation and Skills

**What it's not ...is "not for profit"**

*"...rather than thinking in terms of CICs being nonprofit making they should be thought of as making profits for their community purposes".*

## Shares

*The company raises capital by selling its shares to people wishing to become members (usually called shareholders). Potential members may also purchase shares from existing shareholders. The price paid may be more than the nominal value depending on the market for the shares at the time.*

## The Asset Lock

*"Asset Lock" is designed to ensure that the assets of the CIC (including any profits or other surpluses generated by its activities) are used for the benefit of the community.*

*A company limited by shares adopting Schedule 3 Articles may pay dividends to shareholders who are not asset locked bodies, including private investors. However, the payment of a dividend to a private investor is subject to a dividend cap.*

## Our Community Interest Statement

**SOWTech seeks to draw upon the science and technology of the developed world and to adapt and develop it to bring low carbon and sustainable technology to the people in the developing world and by doing so help to create long term community improvements in jobs, agriculture, energy and the environment.**

The main activities of the company will be:

- To undertake research and development work to find better ways to utilise resources pertinent to those found in developing countries.
- To establish links and partnerships which will facilitate the transfer of SOWTech products and processes into those communities which will benefit from them.
- To locate and promote other sustainable and low-carbon technologies into the developing world.

NOTES: All text in italics is quoted from the Guidance Notes on the CIC regulators website. [www.bis.gov.uk/cicregulator](http://www.bis.gov.uk/cicregulator)  
The above is SOWTech's summary of what a Community Interest Company (Schedule 3) is. Please contact us for more information.