

## **Briefing material**

### **Resolution to form Wargames Association of Reading Limited as a Limited Company by Guarantee**

The intent behind this document is to consult the club in anticipation of a resolution at the club AGM to empower the club committee to form a limited company. The documents and structure proposed have been worked on by members of the committee and club members who have volunteered their expertise and experience of running similarly structured organisations. Tim Child has worked out how to take the existing constitution and put it into the new documents and provided guidance on this as it's how the cricket club he is a part of runs. Without him this would not have been possible.

Why is this important:

The club since inception has been an unincorporated entity and this means it is treated by other organisations as a sole trader. For a Club that only meets on Wednesdays this is a reasonable arrangement, however WAR is a much larger and more complicated now that it was when it was first started. This current arrangement is causing the following issues:

1. The Warfare weekend is classified as a trading activity by HMRC so we have to treat it differently to the rest of the club activities. This means we pay corporation tax on the profits from Warfare but don't get to consider the cost of running the club throughout the year.
2. We are unable to open an account with anyone who could provide credit card services. We have checked with all the card processing entities and in order to do so one of the committee would have to register themselves as an individual sole trader rather than the club which creates all kinds of tax and other issues.
3. All the current members are liable for any liabilities incurred by the club with no limit. This could mean in the worst case if there was a claim or debt incurred by the club the members would be for it.
4. The chairman and members of the committee carry unlimited liability for some legal and personal injury claims that could arise when running Warfare or regular club nights.
5. Financial Institutions are very difficult to deal with. As an entity which has no visibility on any register we regularly get checked for fraud and in the past HSBC have threatened to close our accounts. This creates a large amount of admin overhead for the officers of the club.

What is being proposed:

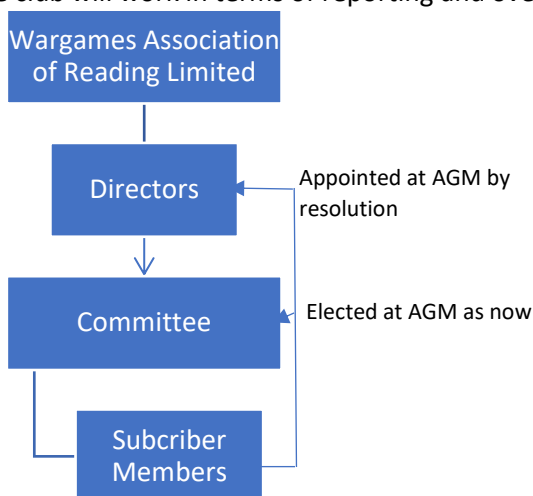
To address this the Committee are proposing setting up a company limited by guarantee to run the club finances through. This is a type of limited company where the "members" own the company. The current unincorporated entity would cease to exist. A small group of club members would be elected as directors which would be members of the new limited entity. Each member would be a "guarantor" of this new entity which will be a nominal sum of £1. These Directors will in essence be trustees of the club for the membership. The directors will be accountable to the club members who are defined as "subscriber-members" in the draft documents.

To run the day-to-day club there will be an elected committee in the same way we have one now. That committee will report to the director-trustees periodically (a few times a year) e.g. to receive and approve the minutes of the club committee meetings and review the club financials.

The advantage of this system is that WAR wouldn't need to change as far as members experience it. Members would make decisions at AGM, receive the accounts, etc. As currently, they would tell the committee that they want to do X or Y. In practice, the committee then goes ahead and does that, but the

only difference is that the committee then has to formally report back to the company board at some point to say what they have been doing.

Below is a diagram explaining how the club will work in terms of reporting and oversight.



By adopting this kind of new club structure this would solve the clubs current structural needs. The finance will be different and an illustration using last years figures is shown below.

|                                 | Club Balance | Warfare Surplus | Total     | Tax       | Total Post Tax |
|---------------------------------|--------------|-----------------|-----------|-----------|----------------|
| 2021-2022                       | -£3,779.61   | £6,201.14       | £2,421.53 | £1,240.23 | £1,181.30      |
| 2021-2022<br>(with WAR Limited) | -£3,779.61   | £6,201.14       | £2,421.53 | £484.31   | £1,937.22      |

Some FAQ for what this would mean:

- a. Q: Will the committee own the club?  
A: No, technically the company members would own the company, The committee and directors will be legally obliged to act in the interests of all the members of WAR and the company members can be replaced by a decision of the members of the club, if necessary.
- b. Q: What is the difference between a Company Limited by Guarantee and a company limited by Share Capital?  
A: There are a few key differences and there are explainers in various places here is one example: [What's the difference between Limited by shares or Limited by guarantee? \(hwca.com\)](http://www.hwca.com)
- c. Q: Why choose a limited company by guarantee?  
A: This is the most common route for charities and clubs to become incorporated, the options are laid out here on the this .gov website: [Set up a charity: Structures – GOV.UK \(www.gov.uk\)](http://www.gov.uk)
- d. Q: If I'm a member will I become a shareholder?  
A: No, there are no shareholders as there are no "shares". A few WAR members will be "guarantors", but the company will be legally obliged only to act in the interests of the club members, and the club members will retain overall control via the existing committee and the club general meetings, just as at the moment.
- e. Q: Could future company directors or company members take over the club and its assets?

A: Primarily, the existing club committee would run the club and Warfare, and control the club accounts, in exactly the same way as at the moment. However, if the company directors tried to over-rule them, the draft company Articles permit the club committee or the club as a whole at a general meeting to vote to appoint new members of the company, who could then take over and vote the company directors out of office.

- f. Q: Would the new company enable the committee to take over the club against the interests of members?

A: The relationship between the members and the committee is unchanged from the existing rules. The company directors would have a legal duty to act in the interests of the club members, so would be available to take action if there was ever a situation in the future where the committee was acting against the members' interests.

- g. Q: Who will I pay my subs to?

A: Subs will be payable to the new Wargames Association of Reading Limited

- h. Q: What will the constitution be?

A: The constitution has been incorporated into the Articles of association and the Subscriber-membership regulations along with a few additional protections for the club.

- i. Q: What happens to the club's existing cash?

A: The cash will be transferred to the new Wargames Association of Reading Limited.

- j. Q: Are there any tax obligations when transferring to the new limited company

A: No, no tax will be due on the existing cash reserves

- k. Q: What happens if we don't do anything?

A: Nothing, the Issues highlighted will continue to be faced by the committee and the club

- l. Q: What happens to my membership when the change happens?

A: Your existing membership will be moved to the new Wargames Association of Reading Limited, but you will no longer be liable for your share of any liabilities the club may incur.

#### Changes to Club Regulations:

We have taken this opportunity to tidy up a few bits and refine the club regulations which you may spot as you go through. Key points that are material:

1. Numeric values to the requirements to call an EGM and to change regulations.
2. Tweak to the subscriptions section to cover conduct.
3. Updated the section on the number of members of the committee to allow for increased numbers or a reduction down to 5.