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STATUTORY INSTRUMENTS

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**2005 No. 1788**

**The Community Interest Company Regulations 2005**

**PART 6**

**Restrictions on distributions and interest**

**Distribution of assets on a winding up**

**23.**—(1) This regulation applies where—

- (a) a community interest company is wound up under the Insolvency Act 1986(1); and
- (b) some property of the company (the “residual assets”) remains after satisfaction of the company’s liabilities.

(2) Subject to paragraph (3), the residual assets shall be distributed to those members of the community interest company (if any) who are entitled to share in any distribution of assets on the winding up of the company according to their rights and interests in the company.

(3) No member shall receive under paragraph (2) an amount which exceeds the paid up value of the shares which he holds in the company.

(4) If any residual assets remain after any distribution to members under paragraph (2) (the “remaining residual assets”), they shall be distributed in accordance with paragraphs (5) and (6).

(5) If the memorandum or articles of the company specify an asset-locked body to which any remaining residual assets of the company should be distributed, then, unless either of the conditions specified in sub-paragraphs (b) and (c) of paragraph (6) is satisfied, the remaining residual assets shall be distributed to that asset-locked body in such proportions or amounts as the Regulator shall direct.

(6) If—

- (a) the memorandum and articles of the company do not specify an asset-locked body to which any remaining residual assets of the company should be distributed;
- (b) the Regulator is aware that the asset-locked body to which the memorandum or articles of the company specify that the remaining residual assets of the company should be distributed is itself in the process of being wound up; or

(c) the Regulator—

- (i) has received representations from a member or director of the company stating, with reasons, that the asset-locked body to which the memorandum or articles of the company specify that the remaining residual assets of the company should be distributed is not an appropriate recipient of the company’s remaining residual assets; and

(ii) has agreed with those representations,

then the remaining residual assets shall be distributed to such asset-locked bodies, and in such proportions or amounts, as the Regulator shall direct.

(7) In considering any direction to be made under this regulation, the Regulator must—

- (a) consult the directors and members of the company, to the extent that he considers it practicable and appropriate to do so; and
  - (b) have regard to the desirability of distributing assets in accordance with any relevant provisions of the company's memorandum and articles.
- (8) The Regulator must give notice of any direction under this regulation to the company and the liquidator.
- (9) This regulation has effect notwithstanding anything in the Insolvency Act 1986.
- (10) This regulation has effect subject to the provisions of the Housing Act 1996<sup>(2)</sup> and the Housing (Scotland) Act 2001<sup>(3)</sup>.
- (11) Any member or director of the company may appeal to the Appeal Officer against a direction of the Regulator made under this regulation.

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<sup>(2)</sup> 1996 c. 52.  
<sup>(3)</sup> 2001 asp10.