Types of companies

Posted by Guido Ascheri on 29 August 2013 at 12:00 AM

We have prepared a brief summary of each type of UK company to help you select the right structure for your requirements. For further advice, please contact us.

Private Limited Companies

The majority of companies are those limited by shares, with members or shareholders who hold one or more shares issued to them by the company in return for payment. Although most shares are fully paid and the shareholder has no liability for the company's debts, a shareholder's liability to the company's creditors is normally limited to the amount of any shares that have been issued to them and which they have not fully paid for.

Public Limited Companies

Prior to the 1985 Companies Act, the only way that a company could offer its shares to the public to raise capital was by admission to one of the official stock markets.

This was limited to a relatively small number of substantial companies and excluded the small to medium-sized enterprise in need of capital. The 1985 Act created the PLC and made the procedure to acquire public company status much simpler.

The advantages in acquiring PLC status may for some be a matter of image, but for most a need to be legally entitled to offer shares to investors, subject to regulatory approvals.

A PLC must have an issued share capital of not less than fifty thousand pounds of which a minimum of 25% must be fully paid up. Shares cannot be issued for an undertaking to do work or perform services, payment for shares may only be by 'cash' or a non cash' consideration. The latter method would normally be in respect of a property or other tangible asset and completed within 5 years of the allotment. A PLC is not obliged to float its shares or offer them for sale, and it can remain as private as the shareholders wish and as with private limited companies if the shares have been fully paid there is no shareholder liability. A PLC enjoys increased status because of the larger capital base. A PLC requires two shareholders and two directors one of whom may also be the company secretary. A company registered as a public company on its original incorporation cannot commence business or exercise its borrowing powers unless the Registrar has issued it with a certificate of entitlement to do business and borrow (the trading certificate) which normally takes approximately two weeks to process.

Companies Limited by Guarantee

A guarantee company has members, rather than shareholders, whose liability is limited by an amount, normally less than a £1, guaranteed by each member, which becomes due in the event of the company being wound up. The Memorandum includes a non-profit distribution clause and these companies are usually formed by professional, trade or research associations. After incorporation the company can be registered with the Charity Commission.

Flat Management Companies

A flat management company has its Memorandum and Articles of Association specially drawn up to allow the company to own, manage and administer a freehold property, which is normally divided into several dwelling units or flats, with each leaseholder owning a share in the company The leaseholder will be obliged to transfer the ownership of the share to the new leaseholder when disposing of the property.

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