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| * Companies limited by guarantee are private limited companies where the liability of the members is limited. * A guarantee company does not have a share capital but has members who are guarantors instead of shareholders. * The members of the company do not own the company but are the decision makers for the company. This means that the profits of the company cannot be distributed to the members through dividends and that they do not have any claim upon the assets of the company. * Guarantee companies are useful for non-profit organisations that require corporate status. This means that its profits are not distributed to its members but are retained to be used for the purposes of the guarantee company. * Limitation of liability takes the form of a guarantee from its members to pay a nominal sum in the event of the company being wound up while they are a member or within one year of their ceasing to be a member. The amount of money that is guaranteed can be as little as £1 and will be stated within the constitution of the company (Memorandum & Articles of Association).   The company is controlled by the members who elect the Management Committee/Board of Directors, who must submit   * a **Constitution** to Companies House and **Memorandum of Association** which set out the objectives of the company, the powers the company has, and the extent of the liability of the members should the company wind up * **Articles of Association** which state the rules governing how the company is to be run | This model is normally chosen by voluntary organisations, charities, social enterprises and community groups because:   * It is a democratic structure * Each Management Committee member's liability is limited to a nominal sum, usually not more than £1, which s/he guarantees to pay if the company has debts on winding up.   The incentive for members to become involved is not profit, but commitment to the objectives of the organisation. | * Regulation associated with a CLbG - Directors have statutory responsibilities including filing annual returns and keeping proper accounting records * Information on Directors and a company's activities is submitted to Companies House and is available for public scrutiny * Initial & ongoing costs: * A registration fee * Legal fees to a lawyer for assistance in establishing the company   + A recurring fee for submitting annual returns * Recurring administrative costs, including auditing fees |