

Public Company Formation

UK Formations

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Public Company Formation Overview

Public Limited companies (Plc's) must have at least two directors and a company secretary who should be a person the Directors regard as fit to hold office as secretary of a public company or a suitably qualified professional. Suitable persons are usually experienced company managers, lawyers and accountants. There must be at least two shareholders.

Formation of a public company requires an authorised share capital of at least £50,000 at commencement, of which at least one quarter must be paid up before the company commences in business. To commence in business the company must obtain a Trading Certificate (s.117 Companies Act 1985). In most instances banks will ask for production of the trading certificate before opening an account for a Plc.

A public company can be dormant. Accounting regulations for public companies are more onerous than those for private companies and an audit will be required.

Extract of notes produced by Companies House about Public Limited Companies

These notes are taken directly from Companies House website and references throughout to "we" and "our" are references to Companies House and not Murphy Thompson Moore LLP. Links that follow on this page are links to the Companies House website.

1. What is a public limited company ?

A public limited company is a company which is registered as such and complies with the following:

It must state that it is a public limited company both in its memorandum and in its name. The memorandum must contain a clause stating that it is a public limited company and the name must end with 'Public Limited Company' or 'PLC' (or if it is a Welsh company, the Welsh equivalents 'Cwmni Cyfyngedig Cyhoeddus' or 'CCC').

The memorandum must be in the form specified in Table F of the Tables or as near to that form as circumstances permit.

It must have an authorised share capital of at least £50,000.

Before it can start business, it must have allotted shares to the value of at least £50,000. A quarter of them, £12,500, must be paid up. Each allotted share must be paid up to at least one quarter of its nominal value together with the whole of any premium.

For example, if a share with a nominal value of £1 is sold for £6, then it is said to have a premium of £5. This premium must be paid to the company, together with a minimum of a quarter of the nominal value of each share. That is £0.25p plus £5, making a total payment of £5.25.

Further information about share capital is available in the booklet, 'Share Capital and Prospectuses'.

2. Can a PLC issue shares in another currency ?

Yes, if it has passed the necessary resolutions to adopt that currency as part of its authorised capital and given the directors the authority to allot that capital. However, it must always have at least the authorised minimum of £50,000 sterling in issued capital, irrespective of what other currency it uses.

A company may use as many currencies as it wishes for its share capital provided that they are true currencies.

3. When can a PLC start business ?

A newly formed PLC must not begin business or exercise any borrowing powers until it has a certificate issued under section 117 of the Companies Act 1985 confirming that the company has issued share capital of at least the statutory minimum (see question one). You can get this certificate from Companies House by completing Form 117. Once issued, the certificate is proof that the company is entitled to do business and borrow. We will normally post you the certificate, but we can fax a copy for collection at any Companies House office if you ask for this when you deliver Form 117 for registration.

4. Are there any other restrictions on a PLC ?

Yes. There are four main restrictions:

A PLC must have at least two members and at least two company directors. The secretary (or each joint secretary) must also be a person who appears to the directors to have the necessary knowledge and ability to fulfil the functions and who:

- (a) held the office of secretary or assistant or deputy secretary on 22 December 1980; or
- (b) for at least three of the five years before their appointment, held the office of secretary of a non-private company; or
- (c) is a barrister, advocate or solicitor called or admitted in any part of the United Kingdom; or
- (d) is a person who, by virtue of his previous experience or membership of another body, appears to the directors to be capable of discharging the functions of secretary; or
- (e) is a member of any of the following bodies:
 - the Institute of Chartered Accountants in England and Wales
 - the Institute of Chartered Accountants of Scotland
 - the Institute of Chartered Accountants in Ireland
 - the Institute of Chartered Secretaries and Administrators
 - the Chartered Association of Certified Accountants
 - the Chartered Institute of Management Accountants (formally known as the Institute of Cost and Management Accountants), or
 - the Chartered Institute of Public Finance and Accountancy.

A PLC normally has only seven months after the end of its accounting reference period to deliver its accounts to the Registrar. A civil penalty will be incurred if it delivers accounts to Companies House after the statutory time allowed for filing. Penalties are fully explained in our booklet, 'Late Filing Penalties'.

A PLC cannot take advantage of many of the provisions and exceptions applying to private companies under the Act, such as audit exemptions for small private companies.

A PLC cannot apply for voluntary strike-off under section 652A, Companies Act 1985. Further information about this is available in our booklet 'Strike-Off, Dissolution and Restoration'.

5. What then is the advantage of a public company ?

A PLC has access to capital markets and can offer its shares for sale to the public through a recognised stock exchange. It can also issue advertisements offering any of its securities for sale to the public. In contrast, a private company may not offer to the public any shares in itself.

6. Do these rules apply to an overseas plc ?

Most of the above rules do not apply to a public company formed abroad. On establishing a branch or place of business in Great Britain, such a company is governed by Part XXIII of the Companies Act 1985, just as any other overseas company is. However, besides Part XXIII of the Act, they are also governed by regulations in their country of incorporation, by certain parts of the Financial Services Act 1986, and by the City Code on Take-overs and Mergers.