

COMPANY TYPES & REGISTERS

Public Limited Companies (PLCs): Requirements and Obligations

What a PLC must have before it can trade, what it must do each year, and when the extra formality is worth taking on.

What makes a company public

A public company is one whose certificate of incorporation says so, and whose name ends in "plc" or "plc" (Companies Act 2006, s.4). The label alone does not mean the shares are listed. A PLC can be small, closely held and unlisted. What the status does is allow the company to offer its shares to the public, which a private company may not do (s.755), and to apply for a listing or admission to a market if it chooses.

Requirements to start

A PLC faces tests that a private company does not:

- **Minimum share capital.** The allotted share capital must be at least £50,000 (s.763), and each share must be paid up to at least a quarter of its nominal value, together with the whole of any premium (s.586).
- **Directors.** At least two (s.154).
- **Secretary.** A PLC must have a company secretary, who must be suitably qualified (ss.271 and 273).
- **Trading certificate.** It cannot start business or borrow until the registrar issues a trading certificate confirming the minimum capital has been met (s.761).

A company that becomes a PLC by re-registration from private status must meet the same tests as part of the process.

Why use one

Reasons include raising money from the public, preparing for a listing, meeting a requirement of an investor or lender, or credibility with customers who look for the status. Others use it because their size or structure demands it. For many owner-managed businesses, a PLC adds cost and formality without a matching benefit, so the decision should be driven by what the company needs to do, not by appearance.

Capital rules

Public companies face tighter rules on how shares are issued and paid for. Shares generally must be paid for in cash or by an asset that can be valued, and a non-cash payment may need an independent valuation. Directors need authority to allot shares, and existing shareholders have pre-emption rights, which can be disapplied only in prescribed ways. Taking advice before any issue avoids rules that are easy to breach.

Key points

- A PLC may offer shares to the public; a private company may not.
- The minimum capital must be in place before trading.
- A PLC needs two directors and a qualified secretary.
- It must hold an annual general meeting.
- Its accounts are due earlier than a private company's, and are audited.
- Listing is a separate step with its own rules.

Annual obligations

A PLC must hold an annual general meeting within six months of its financial year end (s.336). It files its accounts at Companies House within six months of the year end, three months sooner than a private company. It cannot claim the small company audit exemption, so its accounts must be audited. It also files a confirmation statement and keeps its registers and registered information up to date.

Where the company's shares are listed or quoted, further obligations apply, including rules on disclosure, corporate governance and, for quoted companies, reporting on directors' pay. Those come from the market or regulator, not from the Companies Act alone.

Takeovers

A public company can fall within the Takeover Code even if it is unlisted, depending on its circumstances. If a transaction could amount to a takeover, the position should be checked before any shares change hands.

Moving between statuses

A private company can re-register as public, and a public company can become private, with the shareholders' approval and the right changes to the articles. Part 7 of the Act sets out the steps, and our re-registration guide explains them. The minimum capital test is applied on the way in, not afterwards.

Cost and workload

A PLC costs more to run than a private company: audit fees, a qualified secretary and more formal meetings and reporting. The cost should be set against the reason for choosing the status.

Before you start

Before incorporating or re-registering, check that the minimum capital is available to be paid up, that a qualified secretary is lined up and that the articles suit a public company, because the model articles for public companies differ from those for private ones. Allow time for the trading certificate: the company cannot trade or borrow until it is issued.

Questions to ask the client

- Does the company need to offer shares to the public?
- Can the £50,000 minimum be met and paid up?
- Who will act as qualified secretary?
- Is audit already in the budget?
- Might the Takeover Code apply?
- Would private status do instead?

How MTM can help

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We incorporate public companies and re-register private companies as public, provide the company secretary, and prepare the registers, meetings and filings. We can also act as secretary for listed and unlisted PLCs and work with your client's corporate finance adviser.