

Public limited company

A **public limited company** (legally abbreviated to **plc**) is a type of **public company** (publicly held company) under **United Kingdom company law**, some **Commonwealth jurisdictions**, and the **Republic of Ireland**. It is a **limited (liability) company** whose shares may be freely sold and traded to the public (although a plc may also be privately held, often by another plc), with a minimum **share capital** of £50,000 and the letters **PLC** after its name.^[1] Similar companies in the United States are called *publicly traded companies*.

A **PLC** can be either an unlisted or listed company on the **stock exchanges**. In the United Kingdom, a public limited company usually must include the words “public limited company” or the abbreviation “**PLC**” or “**plc**” at the end and as part of the legal company name. Welsh companies may instead choose to end their names with *ccc*, an abbreviation for *cwmni cyfyngedig cyhoeddus*.^[2] However, some public limited companies (mostly **nationalised concerns**) incorporated under special legislation are exempted from bearing any of the identifying suffixes. The term “public limited company” and the “**PLC**”/“**plc**” suffix were introduced in 1974; prior to this, all limited companies bore the suffix “**Limited**” (“**Ltd**”), which is still used by private limited companies.^[3]

1 Registration

When a new company incorporates in **England and Wales** or in **Scotland**, it must register with **Companies House**, an executive agency of the **Department for Business, Innovation and Skills**. Prior to October 2009 companies in **Northern Ireland** were registered with the **Northern Ireland Executive's Department of Enterprise, Trade and Investment**, but since then **Northern Ireland company registrations** are handled by **Companies House** along with the rest of the **United Kingdom**.

2 Company directors

Formation of a public limited company requires a minimum of one director (differing from country to country: in **India** three directors are required). In general terms anyone can be a company director, provided they are not disqualified on one of the following grounds:

- in the case of **PLCs** or their subsidiaries, the person is over 70 years of age or reaches 70 years of

age while in office, unless they are appointed or re-appointed by resolution of the company in general meeting of which special notice has been given.

- the person is an undischarged bankrupt, subject to a **Bankruptcy Restrictions Order (BRO)** or **Bankruptcy Restrictions Undertaking (BRU)**^[4] or otherwise disqualified by a Court from holding a directorship, unless given leave to act in respect of a particular company or companies.
- in **England and Wales** (as of October 2008; **Companies Act 2006**) and in **Scotland** (**Age of Legal Capacity (Scotland) Act 1991**), the male/female is under 16 years old.

Some people who are not **British** or **European Union citizens** are restricted as to what work they may do while in the **UK**, which may exclude them from being a director.

3 Share capital

The members must agree to take some, or all, of the shares when the company is registered. The memorandum of association must show the names of the people who have agreed to take shares and the number of shares each will take. These people are called the subscribers.

There is a minimum share capital for public limited companies: 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.

A company can increase its authorised share capital by passing an **ordinary resolution** (unless its articles of association require a **special** or **extraordinary resolution**). A copy of the resolution – and notice of the increase on **Form 123** – must reach **Companies House** within 15 days of being passed. No fee is payable to **Companies House**.

A company can decrease its authorised share capital by passing an **ordinary resolution** to cancel shares which have not been taken or agreed to be taken by any person. Notice of the cancellation, on **Form 122**, must reach **Companies House** within one month. No fee is payable to **Companies House**.

3.1 Share types

A company may have as many different types of shares as it wishes, all with different conditions attached to them. Generally share types are divided into the following categories:

- **Bearer shares** – Are a legal instrument denoting company ownership, and are usually in the form of share warrants. A share warrant is a document which states that the bearer of the warrant is entitled to the shares stated in it. If authorised by its articles, a company may convert any fully paid shares to “share warrants”. These warrants are easily transferable without any need for a transfer document; that is, they can simply be passed from hand to hand. When share warrants are issued, the company must strike out the name of the shareholder from its register of members and state the date of issue of the warrant and the number of shares to which it relates. Subject to the articles, a share warrant can be surrendered for cancellation. If so, the holder is entitled to be re-entered into the register of members. Vouchers are usually issued with the share warrants in order that any dividends may be claimed. (Bearer shares have been abolished in the UK by the Small Business Enterprise and Employment Act 2015. Existing Bearer shares must be converted to registered shares by February 2016 or the company will be obliged to apply to the Court to cancel them.)
- **Cumulative preference** – These shares carry a right that, if the dividend cannot be paid in one year, it will be carried forward to successive years.
- **Ordinary** – As the name suggests these are the ordinary shares of the company with no special rights or restrictions. They may be divided into classes of different value.
- **Preference** – These shares normally carry a right that any annual dividends available for distribution will be paid preferentially on these shares before other classes.
- **Redeemable** – These shares are issued with an agreement that the company will buy them back at the option of the company or the shareholder after a certain period, or on a fixed date. A company cannot have redeemable shares only.

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.

3.2 Company formation

Most companies are now formed electronically via company formation agents.

3.2.1 Paper process

The following documents, together with the registration fee are sent to the Registrar of Companies:

Memorandum of Association This sets out the company name, the registered office address and the company objects. The object of a company may simply be to carry on business as a general commercial company. The company’s memorandum delivered to the Registrar must be signed by each subscriber in front of a witness who must attest the signature. It is often referred to as the ‘charter of a company’ or ‘constitution of the company’. The signatories to the Memorandum of Association are deemed to be the first Directors of the company. The Memorandum defines the relation of members with the rest of the world.

Articles of Association This is the document which sets out the rules for the running of the company’s internal affairs. The company’s articles delivered to the Registrar must be signed by each subscriber in front of a witness who must attest the signature. The Articles define the inter-management, inter-member and inter-employee relationship.

Form 1 This gives details of the first director(s), secretary and the intended address of the registered office. As well as their names and addresses, the company’s directors must give their date of birth, occupation and details of other directorships they have held within the last five years. Each officer appointed and each subscriber (or their agent) must sign and date the form.

Form 12 This is a statutory declaration of compliance with all the legal requirements relating to the incorporation of a company. It must be signed by a solicitor who is forming the company, or by one of the people named as a director or company secretary on Form 10. It must be signed in the presence of a commissioner for oaths, a notary public, a justice of the peace or a solicitor. There is usually a £5 fee payable to the person that witnesses the statutory declaration.

3.2.2 Electronic process

See also: [Electronic process of law](#)

The key difference with the paper process is that there is no Form 12 and requirement for a statutory declaration. This significantly speeds the process and Compa-

nies House's record for an Electronic Company formation is 23 minutes.

Because the electronic process requires compatible software that works with Companies House eFiling service,^[5] companies are usually formed through a Company Formation Agent.^[6]

3.3 Annual returns

Every company must deliver an annual return to Companies House at least once every twelve months. It has 28 days from the date to which the return is made up to do this. Failure to file a return is a criminal offence, for which the officers of the company may be fined.^[7]

There is an annual document-processing fee of £30 (or £15 for users of the Electronic Filing or WebFilings services), which must be sent to Companies House with the annual return.

4 Conversion

4.1 Private limited company to a public limited company

Both a private company limited by shares and an unlimited company with a share capital may re-register as a plc, but a company without a share capital cannot do so.

A private company must pass a special resolution that it be so re-registered and deliver a copy of the resolution together with an application form to the Registrar. The resolution must also:

- alter the company's memorandum so that it states that the company is to be a public limited company,
- increase its share capital to the statutory minimum of £50,000,
- make any other alterations to the memorandum so that it conforms to that required for a public limited company,
- make any required alterations to the articles of association of the company.

If it does not already have sufficient share capital, the company must issue £50,000 in shares a minimum of 25% part paid.

4.2 Public limited company to a private limited company

In some jurisdictions a public limited company may re-register as a private limited company or private unlimited

company at any time with few formalities.

A court may also order a public company to re-register as private on approving a 'minute of reduction' of share capital which results in the issued share capital falling below the statutory minimum. In such a case the court will also specify alterations to the company's memorandum and articles. A special resolution to re-register is not required.

5 See also

- European Company Statute
- Limited liability partnership
- Private limited company
- Public company
- S.A. (corporation)
- Societas Europaea
- United Kingdom company law
- Unlimited company
- Virtual business

6 References

- [1] Longman Business English Dictionary
- [2] "s. 58(2) Companies Act 2006". Legislation.gov.uk. Retrieved 2013-12-25.
- [3] "Companies Bill defines 'insider': legislation is expected by the summer", *The Times*, 20 December 1973
- [4] <https://www.gov.uk/bankruptcy/restrictions>
- [5] "Companies House website". Companieshouse.gov.uk. 2013-09-18. Retrieved 2013-12-25.
- [6] "Companies House website". Companieshouse.gov.uk. 2013-12-19. Retrieved 2013-12-25.
- [7] "Companies Act 2006 Section 858".

7 External links

- Companies Act 2006, Office of Public Sector Information
- Companies House guide to company formation

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8.1 Text

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