

Public Companies in Cyprus

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Main characteristics of a Public Company

- A public company may offer its shares to the public;
- A public company must have at least two directors;
- A public company **may** restrict the right to transfer its shares if its articles so permit e.g. directors may decline to accept a transfer of unpaid shares;
- There cannot be any restriction on the right to transfer the shares of public companies whose shares are listed on a stock exchange;
- There is no maximum number of shareholders in a public company and the minimum number of shareholders in a public company is seven;
- A public company, can buy-back its own shares subject to the limitations as specified by the Companies' Law;
- A public company must file a statement in lieu of a prospectus before the first allotment of its shares in case a prospectus was not issued;
- A public company is prohibited to make loans to its directors;
- A public company may not issue shares at a discount;
- A public company cannot distribute dividends to its shareholders if its net assets as shown in the last annual financial statements or its net assets could result that after the distribution of dividends, are less than the sum of the issued capital and its reserves;
- A public company may distribute interim dividends only if interim financial statements are prepared which show that there are available funds for such distribution

Registration procedure

A public company can be registered in Cyprus either from scratch or by converting an already registered private company into a public company:

Registration from scratch

Name Approval

An application for name approval must be filed with the Registrar of Companies. The name of a Cyprus public company must include the word "public" or the abbreviation "Plc". Once the company name is approved, the following steps must be taken to register the public company.

Forms to be submitted with the Registrar of Companies

- Form HE1: A statutory declaration of compliance which is prepared and sworn by a lawyer before the courts of Cyprus;
- Form HE2: A form evidencing the registered office of the company;
- Form HE3: A form evidencing the directors and secretary of the company;
- A list of directors must be submitted indicating the persons who are authorized to

- act as directors of the public company together with a written consent of the directors indicating their acceptance to act as directors of the public company;
- If the articles of association of the company contain the provision that the director must have shares in the company (share qualification), then sufficient evidence must be provided that this requirement has been met;
 - If there is an offer to the public and a prospectus is issued, such copy must be submitted to the Registrar of Companies before publication;
 - If no prospectus shall be published, then a statement in lieu of prospectus must be submitted.

Share Capital

The minimum issued capital of the Cyprus public company must be €25.630,00 (twenty five thousand six hundred and thirty Euros). In effect, the minimum offered and paid up capital for subscription must not be less than €25.630,00.

A public company shall not be able to commence any business or take out any loans or undertake any relevant obligations unless the Registrar of Companies delivers to it, in advance, a certificate certifying that the nominal value of the company's subscribed capital is equal to at least the minimum capital mentioned above i.e. €25.630,00.

It is compulsory to have available the above mentioned capital at the moment when the Registrar of Companies is requested to issue the certificate certifying that the nominal value of the company's subscribed capital is equal to at least the above mentioned minimum capital.

Shareholders

A Cyprus public company must have a minimum of **seven** shareholders

Director

A Cyprus public company must have a minimum of **two** directors.

Commencement of business of a Public Company

Section 104 of the Companies' Law sets out some conditions that must be met before the public company is able to commence business. These conditions are as follows:

In case where a public company shall **issue a prospectus** inviting the public to subscribe for its shares, the company shall not commence any business or exercise any borrowing powers unless:

- Shares held subject to the payment of the whole amount in cash have been allotted to an amount not less than the minimum subscription amount which is €25.630,00; **and**
- Every director of the company has paid to the company, on each of the shares taken or contracted to be taken by him/her and for which he is liable to pay in cash a

proportion equal to the proportion payable on application and allotment on the shares offered for public subscription; **and**

- There has been delivered to the Registrar of Companies for registration a statutory declaration by the secretary or any one of the directors that the conditions (a) and (b) above have been complied with.

If the public company shall **not issue a prospectus** inviting the public to subscribe for its shares, the company shall not commence any business or exercise any borrowing powers unless:

- There has been delivered to the Registrar of Companies for registration a statement in lieu of a prospectus (s.48 of the Companies' Law); **and**
- Every director of the company has paid to the company, on each of the shares taken or contracted to be taken by him and for which he is liable to pay in cash, a proportion equal to the proportion payable on application and allotment on the shares payable in cash; **and**
- There has been delivered to the Registrar of Companies for registration a statutory declaration by the secretary or any one of the directors, in the prescribed form, that condition (b) above has been complied with.

The Registrar of Companies shall issue the certificate that the company is entitled to commence business on condition that the company submits the following:

- A statutory declaration containing information as to the following:
- The nominal value of the issued capital of the company which may not be lower than €25.630,00
- The amount of capital which had been paid up
- A budget of the company's initial expenses together with an account as to the amount that has already been paid up and of the obligations that have been undertaken
- A budget of expenses for registration - advice services, together with an account as to the amount that has already been paid up and of the obligations that have been undertaken
- A certification by a bank, having its registered office or place of doing business in the Republic of Cyprus, that an amount, that is equal to at least the minimum capital laid down has been paid up in a bank account kept by the company in that bank. The Registrar of Companies, upon delivery to it of the above-mentioned statutory declarations and in the case of a company which is required to deliver a statement in lieu of a prospectus, of such a statement, shall certify that the company is entitled to commence business, and that certificate shall be conclusive evidence that the company is entitled to commence business.

Converting a private company into a public company

A private company, at any stage after its registration can be converted into a public company as follows:

- An application to the Registrar of Companies must be filed in order to obtain approval of the new company name having the word public or plc in its name as explained above;
- A resolution of the shareholders must be issued changing the name of the company to include the word public or Plc
- New articles of association must be prepared to meet the requirements of a public company
- A resolution of the shareholders must be issued adopting the new articles
- The minimum issued capital of the public company must become €25.630,00
- The minimum number of shareholders must become seven
- The minimum number of directors must become two
- A statement in lieu of prospectus or a prospectus must be submitted with the Registrar of Companies

NOTES:

The above is intended to provide a brief guide only. It is essential that appropriate professional advice is obtained. Totalserve Management Ltd will be glad to assist in this respect. Please do not hesitate to contact us.