



CORPORATE AFFAIRS COMMISSION

COMPANIES AND ALLIED MATTERS

DECREE 1, 1990

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SCHEDULES.

Decree No. 1

Commencement.

January, 1990

THE FEDERAL MILITARY GOVERNMENT hereby decrees as follows :-

PART A - COMPANIES

PART - 1 - CORPORATE AFFAIRS COMMISSION

Establishment of 1.
Corporate
Affairs
Commission.

- (1) There is hereby established under this Decree, a body to be known as the Corporate Affairs Commission (in this Decree referred to as the Commission").
- (2) The Commission shall be :
 - (a) a body corporate with perpetual succession and a common seal;
 - (b) capable of suing and being sued in its corporate name; and
 - (c) capable of acquiring, holding or disposing of any property, movable or immovable, for the purpose of carrying out its functions.
- (3) The headquarters of the Commission shall be situate in the Federal Capital Territory, Abuja, and there shall be established an office of the Commission in each State of the Federation.

Membership 2.
of the
Commission.

The Commission shall consist of:-

- (a) a Chairman who shall be appointed by the President, and Commander in-Chief of the Armed Forces on the recommendation of the Minister, being a person who by reason of his ability, experience or specialised knowledge of corporate, industrial, commercial, financial or economic matters or of business or professional attainment would in his opinion be capable of making outstanding contributions to the work of the Commission;
- (b) one representative of the business community, appointed by the Minister on the recommendation of the Nigerian Association of Chambers of Commerce, Industries, Mines and Agriculture.
- (c) one representative of Labour, appointed by the Minister on the recommendation of the Nigerian Labour Congress;
- (d) one representative of the legal profession, appointed by the Minister on the recommendation of the Nigerian Bar Association.
- (e) one representative of the accountancy profession, appointed by the Minister after necessary consultation with the institute of Chartered Accountants of Nigeria or any Similar body.
- (f) one representative of the Manufacturers Association of Nigeria, appointed by the Minister on the recommendation of the Association.

- (g) one representative of the Nigerian Association of Small Scale Industrialists, appointed on the recommendation of the Association.
- (h) one representative of the Institute of Chartered Secretaries and Administrators, appointed by the Minister on the recommendation of the Institute.
- (i) one representative of the Securities and Exchange Commission not below the grade of Director or its equivalent.
- (j) one representative each of the following Federal Ministries that is:-
 - (i) Trade and Tourism,
 - (ii) Finance and Economic Development,
 - (iii) Justice,
 - (iv) Industry,
 - (v) Internal Affairs, and
- (k) The Registrar-General of the Commission.

**Tenure of
office**

3. (1) A person appointed as a member of the Commission (not being an ex-officio member) shall hold office for five years and shall be eligible for reappointment for one further term of five years.
- change to 3 yrs + 2 yrs re-appoint.*
- (2) The members of the Commission, except the Registrar-General shall be part time members, of the Commission.
- (3) Any member of the Commission shall cease to hold office if:-
- (a) he becomes of unsound mind or is incapable of carrying out his duties;
 - (b) he becomes bankrupt or has made arrangement with his creditors;
 - (c) he is convicted of felony or any offence involving dishonesty;
 - (d) he is guilty of serious misconduct relating to his duties; or
 - (e) in the case of a person possessed of professional qualifications, he is disqualified or suspended (other than at his own request) from practicing his profession in any part of Nigeria by the order of any competent authority made in respect of him personally.

**Remunerations
and Allowances.**

4. Members of the Commission appointed under section (2) (a), (b), (c), (d), (e), (f), (g) and (h) shall be paid such remuneration and allowance as the President and Commander in-Chief of the Armed Forces may, from time to time, direct.

**Proceedings of
the Commission
1964 No.1.**

5. (1) Subject to this section and section 26 of the Interpretation Act 1964, the Commission may make standing orders regulating its proceedings.
- (2) The Chairman shall preside at every meeting of the Commission but, in his absence the members present shall elect one of their number present to preside at the meeting.

- (3) The quorum for meetings of the Commission shall be five, excluding persons appointed under paragraph (h) (1) or (j) of section 2 of this Decree.
- * (4) The Commission may appoint any of its officers to act as Secretary at any of its meetings.
- Disclosure of interest. 6. (1) A member of the Commission who is directly or indirectly interested in any company or enterprise, the affairs of which are being deliberated upon by the Commission or is interested in any contract made or proposed to be made by the Commission, shall, as soon as possible after the relevant facts have come to his knowledge, disclose the nature of his interest at a meeting of the Commission.
- (2) A disclosure under subsection (1) of this section shall be recorded in the minutes of the Commission and the member shall:-
- (a) not take part after such disclosure in any deliberations or decision of the Commission with regard to the subject matter in respect of which his interest is thus disclosed;
- (b) be excluded for the purpose of constituting a quorum of the Commission for any such deliberation or decision.
- Functions of the Commission. 7. (1) The functions of the Commission shall be to:-
- (a) subject to section 541, administer this Decree including the regulation and supervision of the formation, incorporation, registration, management and winding up of companies under or pursuant to this Decree;
- (b) establish and maintain a companies registry and office in the States of the Federation suitably and adequately equipped to discharge its functions under this Decree or any other law in respect of which it is charged with responsibility;
- (c) arrange or conduct an investigation into the affairs of any company, where the interest of the shareholders and the public so demand.
- (d) perform such other functions as may be specified by any Decree or enactment; and
- (e) undertake such other activities as are necessary or expedient for giving full effect to the provisions of this Decree.
- 1988 No.29. (2) Nothing in this section shall affect the powers, duties or jurisdiction of the Securities and Exchange Commission under the Securities and Exchange Commission Decree 1988.
- Appointment of Registrar-General. 8. (1) There shall be appointed by the Commission, a Registrar-General who shall be qualified to practise as a legal practitioner in Nigeria and has been so qualified for not less than 10 years and in addition, has had experience in company law practice or administration for not less than 8 years.

- ~~(2)~~ (2) The Registrar-General shall be the chief executive of the Commission and shall be subject to the directives of the Commission and shall hold office on such terms and conditions as may be specified in his letter of appointment and on such other terms and conditions as may be determined, from time to time, by the Commission with the approval of the National Council of Ministers.
- (3) The Registrar-General shall be the accounting officer for the purpose of controlling and disbursing amounts from the fund established pursuant to section 12 of this Decree.
- Appointment of Staff. 9. The Commission may appoint such other staff as it may deem necessary for the efficient performance of the functions of the Commission under or pursuant to this Decree.
- Right to appear in court. 10. Notwithstanding the provisions of any enactment to the contrary a person appointed to the office of Registrar-General under section 8 of this Decree or a person appointed under section 9 of this Decree who is a legal practitioner shall, while so appointed, be entitled to represent the Commission as a legal practitioner for the purpose and in the course of his employment.
- Service in the Commission to be pensionable. 1979 No. 102. 11. Service in the Commission shall be approved service for the purpose of the Pensions Act 1979 and accordingly, officers and other persons employed in the Commission shall in respect of their service in the Commission be entitled to pensions, gratuities and other retirement benefits enjoyed by persons holding equivalent grades in the public service of the Federation, so however that nothing in this Decree shall prevent the appointment of a person to any office on terms which preclude the grant of a pension and gratuity in respect of that office.
- Funds of the Commission. 12. The Commission shall establish a fund which shall consist of such sums as may be allocated to it by the Federal Military Government and such other funds as may accrue to it in the discharge of its functions.
- Expenditure of the Commission. 13. The Commission may, from time to time, apply the proceeds of the fund established in pursuance of section 12 of this Decree -
- (a) to the cost of administration of the Commission;
 - (b) for re-imbursing members of the Commission or any committee set up by the Commission for such expenses as may be authorised or approved by the Commission, in accordance with the rate approved in that behalf by the National Council of Ministers;
 - (c) to the payment of salaries, fees or other remuneration or allowances, pensions and gratuities payable to the employees of the Commission;
 - (d) for the maintenance of any property acquired or vested in the Commission; and
 - (e) for, and in connection with, all or any of the functions of the Commission under this Decree.
- Annual accounts, audit and estimates. 14. (1) The Commission shall keep proper accounts and proper records in relation thereto and shall prepare in respect of each year a statement of accounts in such form as the National Council of Ministers may direct.
- (2) The accounts of the Commission shall be audited not later than 6 months after the end of year by auditors appointed by the Commission from the list and in accordance with guidelines supplied by the Auditor-General of the Federation; and the fees of the auditors and the expenses of the audit generally shall be paid from the funds of the

	(3)	The Commission shall cause to be prepared, not later than 30th September in each year, an estimate of the expenditure and income of the Commission during the next succeeding year and when prepared they shall be submitted through the Minister for approval by the National Council of Ministers.
Annual Report	15.	The Commission shall, not later than 30th June in each year, submit to the National Council of Ministers, a report on the activities of the Commission during the immediately preceeding year and shall include in such report, the audited accounts of the Commission.
Regulations.	16.	The Minister may with the approval of the National Council of Ministers make <u>regulations generally for the purpose of this Decree</u> and in particular, without prejudice to the generality of the foregoing provisions, make regulations -
	(a)	prescribing the forms, returns and other information required under this Decree.
	(b)	prescribing the procedure for obtaining any information required under this Decree.
	(c)	requiring returns to be made within the period specified therein by any company or enterprise to which this Decree applies;
	✓ (d)	prescribing any fees payable under this PART, that is, PART A of this Decree X
Meaning of certain words used in this Part.	17.	In this part of this Decree:- "Chairman" means the Chairman of the Commission and "Member" means any member of the Commission including the Chairman.

PART II - INCORPORATION OF COMPANIES AND INCIDENTAL MATTERS

CHAPTER I - FORMATION OF COMPANY.

Rights to form a Company.	18.	As from the commencement of this Decree, any two or more persons may form and incorporate a company by complying with the requirements of this Decree in respect of registration of such company.
Partnership etc. of more than 20 members when permitted.	19.	(1) No company, association, or partnership consisting of more than 20 persons shall be formed for the purpose of carrying on any business for profit or gain by the company, association, or partnership, or by the individual members thereof, unless it is registered as a company under this Decree, or is formed in pursuance of some other enactment in force in Nigeria. (2) Nothing in this section shall apply to - (a) any co-operative society registered under the provisions of any enactments in force in Nigeria; or (b) any partnership for the purpose of carrying on practice - (i) as legal practitioners, by persons each of whom is a legal practitioner, or (ii) as accountants by persons each of whom is entitled by law to practise as

an accountant.

- (3) If at any time the number of members of a company, association or partnership exceeds 20 in contravention of this section and it carries on business for more than 14 days while the contravention continues, every person who is a member of the company, association or partnership during the time that it so carries on business after those 14 days shall be liable to a penalty of ₦25 for every day during which the default continues.

Capacity of
individual to
form company.

20.

- (1) Subject to subsection (2) of this section, an individual shall **not** join in the formation of a company under this Decree if -
- (a) he is less than 18 years of age; or
 - (b) he is of unsound mind and has been so found by a court in Nigeria or elsewhere; or
 - (c) he is an undischarged bankrupt; or
 - (d) he is disqualified under section 254 of this Decree from being a director of a company.
- (2) A person shall not be disqualified under paragraph (a) of subsection (1) of this section, if two other persons not disqualified under that subsection have subscribed to the memorandum.
- (3) A corporate body in liquidation shall not join in the formation of a company under this Decree.
- (4) Subject to the provisions of any enactment regulating the rights and capacity of aliens to undertake or participate in trade or business, an alien or a foreign company may join in forming a company.

Types of
Companies.

21.

- (1) An incorporated company may be either a company -
- (a) having the liability of its members limited by the memorandum to the amount, if any, unpaid on the shares respectively held by them (in this Decree termed "a company limited by shares"); or
 - (b) having the liability of its members limited by the memorandum to such amount as the members may respectively thereby undertake to contribute to the assets of the company in the event of its being wound up (in this Decree termed a company limited by guarantee); or
 - (c) not having any limit on the liability of its members (in this Decree termed "an unlimited company").
- (2) A company of any of the foregoing types may either be a private or a public company.

Private
Companies.

22.

- (1) A private company is one which is stated in its memorandum to be a private company.
- (2) Every private company shall by its articles restrict the transfer of its shares.

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- (3) The total number of members of a private company shall not exceed 50, not including persons who are bona fide in the employment of the company, or were while in that employment and have continued after the determination of that employment to be, members of the company.
- (4) Where two or more persons hold one or more shares in a company jointly, they shall for the purpose of subsection (3) of this section, be treated as a single member.
- (5) A private company shall not unless authorised by law invite the public to -
- (a) subscribe for any shares or debentures of the company; or
 - (b) deposit money for fixed periods or payable at call, whether or not bearing interest.
- Consequences of default in complying with conditions constituting a private company. 23. (1) Subject to subsection (2) of this section, where default is made in complying with any of the provisions of section 22 of this Decree in respect of a private company, the company shall cease to be entitled to the privileges and exemptions conferred on private companies by or under this Decree and this Decree shall apply to the company as if it were not a private company.
- (2) If a court on the application of the company or any other person interested, is satisfied that the failure to comply with the provisions of section 22 of this Decree was accidental or due to inadvertence or to some other sufficient cause, or that on other grounds it is just and equitable to grant relief, the court may, on such terms and conditions as may seem to it to be just and expedient, order that the company be relieved from the consequences mentioned in subsection (1) of this section.
- Public company. 24. Any company other than a private company shall be a Public company and its memorandum shall state that it is a public company.
- Unlimited company to have a share capital. 25. As from the commencement of this Decree, an unlimited company shall be registered with a share capital; and where an existing unlimited company is not registered with a share capital, it shall, not later than the appointed day, alter its memorandum so that it becomes an unlimited company having a share capital not below the minimum share capital permitted under section 99 of this Decree.
- Company Limited by and Guarantee. 26. (1) Where a company is to be formed for promoting commerce, art, science, religion, sports, culture, education, research, charity or other similar objects, and the income property of the company are to be applied solely towards the promotion of its objects and no portion thereof is to be paid or transferred directly or indirectly to the members of the company except as permitted by this Decree, the company shall not be registered as a company limited by shares, but may be registered as a company limited by guarantee.
- (2) As from the commencement of this Decree, a company limited by guarantee shall not be registered with a share capital; and every existing company limited by guarantee and having a share capital shall, not later than the appointed day, alter its memorandum so that it becomes a company limited by guarantee and not having a share capital.

- (3) In the case of a company limited by guarantee, every provision in the memorandum or articles or in any resolution of the company purporting to give any person a right to participate in the divisible profits of the company otherwise than as a member or purporting to divide the company's undertaking into shares or interest shall be void.
- (4) A company limited by guarantee shall not be incorporated with the object of carrying on business for the purpose of making profits for distribution to members.
- (5) If any company limited by guarantee carries on business for the purpose of distributing profits, all officers and members thereof who are cognisant of the fact that it is so carrying on business shall be jointly and severally liable for the payment and discharge of all the debts and liabilities of the company incurred in carrying on such business, and the company and every such officer and member shall be liable to a fine not exceeding =N=100 for every day during which it carries on such business.
- (6) The total liability of the members of a company limited by guarantee to contribute to the assets of the company in the event of its being wound up shall not at any time be less than =N=10,000.00
- (7) Subject to compliance with subsection (5) of this section the articles of association of a company limited by guarantee may provide that members can retire or be excluded from membership of the company.
- (8) If in breach of subsection (6) of this section, the total liability of the members of any company limited by guarantee shall at anytime be less than =N=10,000.00 every director and member of the company who is cognisant of the breach shall be liable to a fine of =N=50 for every day during which the default continues.
- (9) If, upon the winding up of a company limited by guarantee, there remains after the discharge of all its debts and liabilities any property of the company, the same shall not be distributed among the members but shall be transferred to some other company limited by guarantee having objects similar to the objects of the company or applied to some charitable object and such other company or charity shall be determined by the members prior to dissolution of the company.

MEMORANDUM OF ASSOCIATION

Requirements
with respect
to the memo-
randum of a
company.

27. (1) The memorandum of every company shall state -
- (a) the name of the company;
 - (b) that the registered office of the company shall be situated in Nigeria;
 - (c) the nature of the business or businesses which the company is authorised to carry on, or, if the company is not formed for the purpose of carrying on business, the nature of the object or objects for which it is established;
 - (d) the restriction, if any, on the powers of the company;
 - (e) that the company is a private or public company, as the case may be;
 - (f) that the liability of its members is limited by shares or by guarantee or is unlimited, as the case may be.
- X (2) If the company has a share capital -
- (a) the memorandum shall also state the amount of authorised share capital, not being less than =N=10,000.00 in the case of a private company and =N=500,000.00 in the case of a public company, with which the company proposes to be registered, and the division thereof into shares of a fixed amount;
 - (b) the subscribers of the memorandum shall take among them a total number of shares of a value of not less than 25 percent of the authorised share capital; and
 - (c) each subscriber shall write opposite to his name the number of shares he takes.
- (3) A subscriber of the memorandum who holds the whole or any part of the shares subscribed by him in trust for any other person shall disclose in the memorandum that fact and the name of the beneficiary.
- (4) The memorandum of a company limited by guarantee shall also state that -
- (a) the income and property of the company shall be applied solely towards the promotion of its objects, and that no portion thereof shall be paid or transferred directly or indirectly to the members of the company except as permitted by or under this Decree; and
 - (b) each member undertakes to contribute to the assets of the company in the event of its being wound up while he is a member or within one year after he ceases to be a member, for payment of the debts and liabilities of the company, and of the costs of winding up, such amount as may be required not exceeding a specified amount and the total of which shall not be less than =N=10,000.00.
- (5) The memorandum shall be signed by each subscriber in the presence of at least one witness who shall attest the signature.
- (6) The memorandum shall be stamped as a deed.

Form of memorandum.	28.	Subject to the provisions of section 27 of this Decree, the form of a memorandum of association of -	
		(a)	a company limited by shares;
		(b)	a company limited by guarantee; and
		(c)	an unlimited company,
Schedule	1.	shall be as specified in Tables B, C, and D respectively in Schedule 1 to this Decree, or as near that form as circumstances admit.	
		NAME OF COMPANY	
Name as stated in the memorandum.	29.	(1)	The name of a private company limited by shares shall end with the word "Limited".
		(2)	The name of a public company limited by shares shall end with the words "Public Limited Company".
		(3)	The name of a company limited by guarantee shall end with the words "(Limited by Guarantee)" in brackets.
		(4)	The name of an unlimited company shall end with the word "Unlimited".
		(5)	A company may use the abbreviations "Ltd", "Plc" "(Ltd/Gte)" and "Uld" for the words "Limited", "Public Limited Company", "(Limited by Guarantee)" and "Unlimited" respectively in the name of the company.
Prohibited and restricted names	30.	(1)	No company shall be registered under this Decree by a name which -
		(a)	is identical with that by which a company in existence is already registered, or so nearly resembles that name as to be calculated to deceive, except where the company in existence is in the course of being dissolved and signifies its consent in such manner as the Commission requires; or
		(b)	contains the words "Chamber of Commerce" unless it is a company limited by guarantee; or
		(c)	in the opinion of the Commission is capable of misleading as to the nature or extent of its activities or is undesirable, offensive or otherwise contrary to public policy; or
		(d)	in the opinion of the Commission would violate any existing trade mark or business name registered in Nigeria unless the consent of the owner of the trade mark or business name has been obtained.
		(2)	Except with the consent of the Commission, no company shall be registered by a name which -
		(a)	includes the word "Federal", "National", "Regional", "State", "Government", or any other word which in the opinion of the Commission suggests or is calculated to suggest that it enjoys the patronage of the Government of the Federation or the Government of a State in Nigeria, as the case may be, or any Ministry or Department of Government; or
		(b)	contains the word "Municipal" or "Chartered" or in the opinion of the Commission suggests, or is calculated to suggest, connection with any municipality or other local authority; or

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- (c) contains the word "Co-operative" or the words "Building Society"; or
- (d) contains the word "Group" or "Holding".
- Change of
name of a
company.
31. (1) If a company, through inadvertence or otherwise, on its first registration or on its registration by a new name, is registered under a name identical with that by which a company in existence is previously registered, or so nearly resembling it as to be likely to deceive, the first-mentioned company may, with the approval of the Commission, change its name; and if the Commission so directs within six months of its being registered under that name, the company concerned shall change its name within a period of six weeks from the date of the direction or such longer period as the Commission may allow.
- (2) If a company makes default in complying with a direction under subsection (1) of this section, it shall be liable to a fine of ₦25 for every day during which the default continues.
- (3) Any company may, by special resolution and with the approval of the Commission signified in writing, change its name:
- Provided that no such approval shall be required where the only change in the name of a company is the substitution of the words "Public Limited Company" for the word "Limited" or vice versa on the conversion of a private company into a public company or a public company into a private company in accordance with the provisions of this Decree.
- (4) Nothing in this Decree shall preclude the Commission from requiring a company to change its name if it is discovered that such a name conflicts with an existing trade mark or business name registered in Nigeria prior to the registration of the company and the consent of the owner of the trade mark or business name was not obtained.
- (5) Where a company changes its name, the Commission shall enter the new name on the register in place of the former name, and issue a certificate of incorporation altered to meet the circumstances of the case.
- (6) The change of name shall not affect any rights or obligations of the company, or render defective any legal proceedings by or against the company, and any legal proceedings that could have been continued or commenced against it or by it in its former name may be continued or commenced against or by it in its new name,
- (7) Any alteration made in the name under this section shall be published by the Commission in the Gazette.
- (8) A certificate or publication in the Gazette under this section shall be evidence of the alteration to which it relates.
- Reservation
of Name.
32. (1) The Commission may on written application and on payment of the prescribed fee reserve a name pending registration of a company or a change of name by a company.
- (2) Such reservation as is mentioned in subsection (1) of this section shall be for such period as the Commission shall think fit not exceeding 60 days and during the period of reservation no other company shall be registered under the reserved name or under any other name which in the opinion of the Commission bears too close a resemblance to the reserved name.

ARTICLES OF ASSOCIATION.

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| Articles for regulating companies. | 33. | | There shall be registered with the memorandum of association articles of association signed by the subscribers to the memorandum of association, and prescribing regulations for the company. |
| Forms and contents of articles. | 34. | (1) | The form and contents of the articles of association of a public company having a share capital, a private company having a share capital, a company limited by guarantee and an unlimited company shall be as in Parts I, II, III, and IV respectively of Table A in Schedule 1 to this Decree with such additions, omissions or alterations as may be required in the circumstances. |
| | | (2) | In the case of a company limited by guarantee, the articles of association shall state the number of members with which the company proposes to be registered for the purpose of enabling the Commission to determine the fees payable on registration. |
| | | (3) | The articles of association shall - <ul style="list-style-type: none"> (a) be printed; (b) be divided into paragraphs numbered consecutively; and (c) be signed by each subscriber of the memorandum of association in the presence of at least one witness who shall attest the signature. |
| | | (4) | The articles shall bear the same stamp duty as if they were contained in a deed. |

REGISTRATION OF COMPANIES.

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| Documents of Incorporation. | 35. | (1) | As from the commencement of this Decree, a company shall be formed in the manner set out in this section. |
| | | (2) | There shall be delivered to the Commission - <ul style="list-style-type: none"> (a) the memorandum of association and articles of association complying with the provisions of this Part of this Decree; (b) the notice of the address of the registered office of the company and the head office if different from the registered office:

Provided that a postal box address or a private bag address shall not be accepted by the Commission as the registered office; (c) a statement in the prescribed form containing the list and particulars together with the consent of the persons who are to be the first directors of the company; (d) a statement of the authorised share capital signed by at least one director; and (e) any other document required by the Commission to satisfy the requirements of any law relating to the formation of a company. |

- (3) A statutory declaration in the prescribed form by a legal practitioner that those requirements of this Decree for the registration of a company have been complied with which shall be produced to the Commission, and it may accept such a declaration as sufficient evidence of compliance:

Provided that where the Commission refuses a declaration, it shall within 30 days of the date of receipt of the declaration send to the declarant a notice of its refusal giving the grounds of such refusal.

Registration.

36.

- (1) The Commission shall register the memorandum and articles unless in its opinion-
- (a) they do not comply with the provisions of this Decree; or
 - (b) the business which the company is to carry on, or the objects for which it is formed, or any of them are illegal; or
 - (c) any of the subscribers to the memorandum is incompetent or disqualified in accordance with section 20 of this Decree; or
 - (d) there is non-compliance with the requirement of any other law as to registration and incorporation of a company; or
 - (e) the proposed name conflicts with or is likely to conflict with an existing trade mark, or business name registered in Nigeria.
- (2) Any person aggrieved by the decision of the Commission under subsection (1) of this section, may give notice to the Commission requiring it to apply to the court for directions and the Commission shall within 21 days of the receipt of such notice apply to the court for the directions.
- (3) The Commission may, in order to satisfy itself as provided in subsection (1) (c) of this section, by instrument in writing require a person subscribing to the memorandum to make and lodge with the Commission, a statutory declaration to the effect that he is not disqualified under section 20 of this Decree from joining in forming a company.
- (4) Steps to be taken under this Decree to incorporate a company shall not include any invitation to subscribe for shares or otherwise howsoever on the basis of a prospectus.
- (5) Upon registration of the memorandum and articles, the Commission shall certify under its seal -
- (a) that the company is incorporated;
 - (b) in the case of a limited company, that the liability of the members is limited by shares or by guarantee; or
 - (c) in the case of an unlimited company, that the liability of the members is unlimited; and
 - (d) that the company is a private or public company, as the case may be.
- (6) The certificate of incorporation shall be prima facie evidence that all the requirements of this Decree in respect of registration and of matters precedent and incidental to it have been complied with and that the association is a company authorised to be registered and duly registered under this Decree.

- Effect of registration. 37. As from the date of incorporation mentioned in the certificate of incorporation, the subscriber of the memorandum together with such other persons as may, from time to time, become members of the company, shall be a body corporate by the name contained in the memorandum, capable forthwith of exercising all the powers and functions of an incorporated company including the power to hold land, and having perpetual succession and a common seal, but with such liability on the part of the members to contribute to the assets of the company in the event of its being wound up as is mentioned in this Decree.

CAPACITY AND POWERS OF COMPANIES.

- Powers of companies. 38. (1) Except to the extent that the company's memorandum or any enactment otherwise provides, every company shall, for the furtherance of its authorised business or objects, have all the powers of a natural person of full capacity.
- (2) A company shall not have or exercise power either directly or indirectly to make a donation or gift of any of its property or funds to a political party or political association, or for any political purpose; and if any company, in breach of this subsection makes any donation or gift of its property to a political party or political association, or for any political purpose, the officers in default and any member who voted for the breach shall be jointly and severally liable to refund to the company the sum or value of the donation or gift and in addition the company and every such officer or member shall be guilty of an offence and liable to a fine equal to the amount or value of the donation or gift.
- Effects of ultra vires acts. 39. (1) A company shall not carry on any business not authorised by its memorandum and shall not exceed the powers conferred upon it by its memorandum or this Decree.
- (2) A breach of subsection (1) of this section, may be asserted in any proceedings under sections 300 to 313 of this Decree or under subsection (4) of this section.
- (3) Notwithstanding the provisions of subsection (1) of this section, no act of a company and no conveyance or transfer of property to or by a company shall be invalid by reason of the fact that such act, conveyance or transfer was not done or made for the furtherance of any of the authorised business of the company or that the company was otherwise exceeding its objects or powers.
- (4) On the application of -
- (a) any member of the company; or
- (b) the holder of any debenture secured by a floating charge over all or any of the company's property or by the trustee of the holders of any such debentures, the court may prohibit by injunction, the doing of any act or the conveyance or transfer of any property in breach of subsection (1) of this section.
- (5) If the transactions sought to be prohibited in any proceeding under subsection (4) of this section are being, or are to be performed or made pursuant to any contract to which the company is a party, the court may, if it deems the same to be equitable and if all the parties to the contract are parties to the proceedings, set aside and prohibit the performance of such contract, and may allow to the company or to the other parties to the contract, such contract compensation for any loss or damage sustained by them by reason of the setting aside or prohibition of the performance of such contract but no compensation shall be allowed for loss or anticipated profits to be derived from the performance of such contract.

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| Effect of reliance on restrictions in the memorandum. | 40. | (1) | Where there is provision in the memorandum of association of a company restricting the powers and capacity of the company to carry on its authorised business or object, the restriction, may be relied on and have effect only for the purpose of - |
| | | (a) | proceedings against the company by a director or member of the company, or where the company has issued debentures secured by a floating charge over all or any of the company's property, by the holder of any of the debentures or the trustee for the holders of the debentures; or |
| | | (b) | proceedings by the company or a member of the company against the present or former officers of the company for failure to observe any such restrictions; or |
| | | (c) | proceedings by the Commission or a member of the company to wind up the company; or |
| | | (d) | proceedings for the purpose of restraining the company or other person from acting in breach of the memorandum or directing the company or such person to comply with the same. |
| | | (2) | A person may not in proceedings referred to in subsection (1) (a), (b), or (c), of this section, rely on the restriction of the power or capacity of the company contained in the memorandum in any case where he voted in favour of, or otherwise expressly or by conduct agreed to the doing of an act by the company or the conveyance by or to the company of property which, it is alleged in the proceedings, was or would be contrary to such a restriction. |
| Effect of memorandum and articles. | 41. | (1) | Subject to the provisions of this Decree, the memorandum and articles, when registered, shall have the effect of a contract under seal between the company and its members and officers and between the members and officers themselves whereby they agree to observe and perform the provisions of the memorandum and articles, as altered from time to time in so far as they relate to the company, members or officers as such. |
| | | (2) | All money payable by any member to the company under the memorandum or articles shall be a debt due from him to the company and shall be of the nature of a speciality debt. |
| | | (3) | Where the memorandum or articles empower any person to appoint or remove any director or other officer of the company, such power shall be enforceable by that person notwithstanding that he is not a member or officer of the company. |
| | | (4) | In any action by any member or officer to enforce any obligation owed under the memorandum or articles to him and any other member or officer, such member or officer, may if any other member or officer is affected, by the alleged breach of such obligation with his consent, sue in a representative capacity on behalf of himself and all other members or officers who may be affected other than any who are defendants and the provisions of Part X of this Decree shall apply. |
| | | | MEMBER'S RIGHT TO COPY OF MEMORANDUM AND ARTICLES. |
| Member's right to copies of memorandum etc. | 42. | (1) | A company shall, on being so required by any member, send to him a copy of the memorandum and of the articles, if any, and copy of any enactment which alters the memorandum, subject to payment, in the case of a copy of the memorandum and of the articles, of ₦20 or such less sum as the company may prescribe and in the case of a copy of an enactment of such sum not exceeding the published price thereof as the company may require. |

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| Copies of memorandum issued to embody alterations. | 43. | (2) | If a company makes default in complying with this section, the company and every officer of the company who is in default shall be liable for each offence to a fine not exceeding =N=25. |
| | | (1) | Where an alteration is made in the memorandum of a company every copy of the memorandum issued after the date of the alteration shall be in accordance with the alteration. |
| | | (2) | If, where any such alteration has been made, the company at any time after the date of the alteration issues any copies of the memorandum which are not in accordance with the alteration, it shall be liable to a fine not exceeding =N=25 for each copy so issued, and every officer of the company who is in default shall be liable to the like penalty. |

ALTERATION OF MEMORANDUM AND ARTICLES.

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| Restriction on alteration of memorandum. | 44. | (1) | A company may not alter the conditions contained in its memorandum except in the cases and in the manner and to the extent for which express provision is made in this Decree. |
| | | (2) | Only those provisions which are required by section 27 of this Decree or by any other specific provision contained in this Decree, to be stated in the memorandum of the company concerned shall be deemed to be conditions contained in its memorandum. |
| Alteration of memorandum. | 45. | (1) | The name of the company shall not be altered except with the consent of the Commission in accordance with section 31 of this Decree. |
| | | (2) | The business which the company is authorised to carry on or, if the company is not formed for the purpose of carrying on business, the objects for which it is established may be altered or added to in accordance with the provisions of section 46 or of Part V of this Decree. |
| | | (3) | Any restriction on the powers of the company may be altered in the same way as the business or object of the company. |
| | | (4) | The share capital of the company may be altered in accordance with the provisions of section 100 to 111 of this Decree but not otherwise. |
| | | (5) | Subject to section 49 of this Decree, any other provision of the memorandum may be altered in accordance with section 46 of this Decree, or as otherwise provided in this Decree. |
| Mode of alteration of business or objects. | 46. | (1) | A company may, at a meeting of which notice in writing has been duly given to all members (whether or not otherwise entitled thereto), by special resolution alter the provisions of its memorandum with respect to the business or objects of the company: |
| | | Provided that if an application is made to the court in accordance with this section for the alteration to be cancelled, it shall not have effect except in so far as it is confirmed by the court. | |
| | | (2) | An application under this section may be made to the court -

(a) by the holders of not less in the aggregate than 15 percent in nominal value of the company's issued share capital or any class thereof or, if the company is not limited by shares not less than 15 percent of the company's members; or |

- (b) by the holders of not less than 15 percent of the company's debentures entitling the holders to object to alterations of its objects:
Provided that any such application shall not be made by any person who has consented to or voted in favour of the alteration.
- (3) An application under this section shall be made not later than 28 days after the date on which the resolution altering the company's business or objects was passed, and may be made on behalf of the persons entitled to make the application by such one or more of their number as they may appoint in writing for the purpose.
- (4) On an application under this section, the court may make an order confirming the alteration either wholly or in part and on such terms and conditions as it thinks fit, and may adjourn the proceedings in order that an arrangement may be made to the satisfaction of the court for the purchase of the interest of dissentient members, and the court may give such directions and make such orders as it thinks expedient for facilitating or carrying into effect any such arrangement:
Provided that no part of the capital of the company shall be expended in any purchase.
- (5) The debentures entitling the holders to object to alterations of a company's business or objects shall be any debentures secured by a floating charge.
- (6) The special resolution altering a company's business or objects shall require the same notice to the holders of any such debentures as to members of the company; and in default of any provisions regulating the giving of notice to any such debenture holders, the provisions of the company's articles regulating the giving of notice to members shall apply.
- (7) Where a company passes a resolution altering its business or objects and -
 - (a) application is thereafter made to the court for its confirmation under this section, the company shall forthwith give notice to the Commission of the making of the application, and thereafter there shall be delivered to the Commission within 15 days from the date of its making -
 - (i) a certified true copy of the order in the case of refusal to confirm the resolution; and
 - (ii) a certified true copy of the order in the case of confirmation of the resolution together with the printed copy of the memorandum as thereby altered;
 - (b) no application is made with respect thereto to a court under this section, the company shall within 15 days from the end of the period for taking such an application deliver to the Commission a copy of the resolution as passed; and if the Commission -
 - (i) is satisfied, a printed copy of the memorandum as altered by the resolution shall forthwith thereafter be delivered to it;
 - (ii) is not satisfied, it shall give notice in writing to the company of its decision and an appeal from its decision shall thereafter lie to the court at the suit of any person aggrieved, if made within 21 days from the date of the receipt by the company of the notice of the rejection, or within such extended time as the court may allow.
- (8) The court may at any time extend the time for the delivery of documents to the Commission under paragraph (a) of subsection (7) of this section for such period as the court may think proper.

- (9) If a company makes default in giving notice or delivering any document to the Commission as required by subsection (6) of this section, the company and every officer of the company who is in default shall be liable to a fine of ₦50.
- (10) The validity of an alteration of the provision of a company's memorandum with respect to the business or objects of the company shall not be questioned on the ground that it was not authorised by subsection (1) of this section except in proceedings taken for the purpose (whether under this section or otherwise) before the expiration of 21 days after the date of the resolution in that behalf; and where any such proceedings are taken otherwise than under this section, subsections (6), (7), and (8) of this section shall apply in relation thereto as if they had been taken under this section, and as if an order declaring the alteration invalid were an order cancelling it and as if any order dismissing the proceedings were an order confirming the alteration.
- (11) In this section "member" includes any person financially interested in the company.
- Power to alter provision in the memorandum in certain cases 47
- (1) Subject to the provisions of section 44 of this Decree and of this section and of any Part of this Decree (which preserves the rights of minorities in certain cases) any provision in a company's memorandum which might lawfully have been in articles of association instead of in the memorandum may be altered by the company by special resolution, but if an application is made to the court for the alteration to be cancelled, the alteration shall not have effect except in so far as it is confirmed by the court.
- (2) This section shall not apply where the memorandum itself provides for or prohibits the alteration of all or any of the said provisions, and shall not authorise any variation or abrogation of the special rights of any class of members.
- (3) Subsections (2), (3), (4), (7), (8) and (9) of section 46 of this Decree (which relate to mode of alteration of business or object) except paragraph (b) of subsection (2) thereof shall apply in relation to any alteration and to any application made under this section as they apply in relation to alterations and to applications made under that section.
- (4) This section shall apply to a company's memorandum whether registered before or after the commencement of this Decree.
- Alteration of articles 48
- (1) Subject to the provisions of this Decree and to the conditions or other provisions contained in its memorandum, a company may by special resolution alter or add to its articles
- (2) Any alteration or addition so made in the articles shall, subject to the provisions of this Decree, be as valid as if originally contained therein and be subject, in like manner, to alteration by special resolutions.
- Limitation of liability to contribute to share capital if memorandum, etc altered 49
- (1) Save to the extent to which a member of a company agrees in writing at any time to be bound thereby, and anything to the contrary in the memorandum or articles notwithstanding, the member shall not be bound by any alteration made in the memorandum or articles of the company requiring him on or after the date of the alteration to -
- (a) take or subscribe for more shares than he held at the date on which he became a member; or
- (b) increase his liability to contribute to the share capital of the company; or
- (c) pay money by any other means to the company.

CHAPTER 2 - CONVERSION AND RE-REGISTRATION OF COMPANIES.

- Re-registration of private company as public.
50. (1) Subject to this section, a private company having a share capital may be re-registered as a public company if -
- (a) a special resolution that it should be so re-registered is passed; and
 - (b) an application for re-registration is delivered to the Commission together with the documents prescribed in subsection (3) of this section.
- (2) The special resolution shall -
- (a) alter the company's memorandum so that it states that the company is to be a public company; and
 - (b) make such other alterations in the memorandum as are necessary to bring it into conformity with the requirements of this Decree with respect to the memorandum of a public company in accordance with section 27 of this Decree; and
 - (c) make such alterations in the company's articles as are requisite in the circumstances.
- (3) The application shall be made to the Commission in the prescribed form and be signed by at least one director and the secretary of the company; and the documents to be delivered with it are the following -
- (a) a printed copy of the memorandum and articles as altered in pursuance of the resolution; and
 - (b) a copy of a written statement by the directors and the secretary certified on oath by them, and showing that the paid up capital of the company as at the date of the application is not less than 25 percent of the authorised share capital as at that date; and
 - (c) a copy of the balance sheet of the company as at the date of the resolution or the preceding 6 months, whichever is later; and
 - (d) a statutory declaration in the prescribed form by a director and the secretary of the company -
 - (i) that the special resolution required under this section has been passed; and
 - (ii) that the company's net assets are not less than the aggregate of the paid up share capital and undistributable reserves; and
 - (e) a copy of any prospectus or statement in lieu of prospectus delivered within the preceding 12 months to the Securities and Exchange Commission established under the Securities and Exchange Commission Decree 1988.
- 1988 No.29
- (4) If the Commission is satisfied that a company has complied with the provisions of this section and may be re-registered as a public company, it shall -
- (a) retain the application and other documents delivered to it under this section;
 - (b) register the application and other documents; and
 - (c) issue the company a certificate of incorporation, stating that the company is a public company.

- (5) Upon the issue to a company of the certificate of incorporation under this section -
- (a) the company shall by virtue of the issue of that certificate become a public company; and
 - (b) any alterations in the memorandum and articles set out in the resolution shall take effect accordingly.
- (6) The certificate shall be prima facie evidence that -
- (a) the requirements of this Decree in respect of re-registration and of matters precedent and incidental thereto have been complied with; and
 - (b) the company is a public company.
- (7) A company shall not be re-registered under this section if it has previously been re-registered as an unlimited company.
- Re-registration of company limited by shares as unlimited. 51.
- (1) Subject as follows, a company which is registered as limited by shares may be re-registered as unlimited in pursuance of an application in that behalf complying with the requirements of this section.
- (2) A company shall be precluded from re-registering under this section if it is limited by virtue of re-registration under section 52 of this Decree.
- (3) A public company or a company which has previously been re-registered as unlimited company shall not be re-registered under this section.
- (4) An application under this section shall be in the prescribed form and be signed by a director and the secretary of the company, and be lodged with the Commission together with the documents specified in subsection (6) of this section.
- (5) The application shall set out such alterations in the company's memorandum and articles as are requisite to bring it into conformity with the requirements of this Decree with respect to the memorandum and articles of a company to be formed as an unlimited company.
- (6) The documents to be lodged with the Commission are as follows -
- (a) the prescribed form of assent, to the company being registered as unlimited, subscribed by or on behalf of all the members of the company;
 - (b) a statutory declaration made by the directors of the company -
 - (i) that the persons by whom or on whose behalf the form of assent is subscribed constitute the whole membership of the company; and
 - (ii) if any of the members have not subscribed that form themselves, that the directors have taken all reasonable steps to satisfy themselves that each person who subscribed to it on behalf of a member was lawfully empowered to do so; and
 - (c) a printed copy of the memorandum and the articles incorporating the alterations set out in the application.
- (7) If the Commission is satisfied that the company be registered under this section as an unlimited company, it shall retain the application and other documents lodged with it under this section and -

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- (a) register the application and other documents; and
 - (b) issue to the company a certificate of incorporation appropriate to the status to be assumed by virtue of this section.
- (8) On the issue of the certificate -
 - (a) the status of the company, by virtue of the issue, shall be changed from limited to unlimited; and
 - (b) the alterations in the memorandum set out in the application and any alteration in the articles so set out shall take effect as if duly made by resolution of the company; and
 - (c) the provisions of this Decree shall apply accordingly to the memorandum and articles as altered.
- (9) The certificate shall be prima facie evidence that the requirements of this section in respect of the re-registration and of matters precedent and incidental to it have been complied with, and that the company was authorised to be re-registered under this Decree in pursuance of this section and was duly so re-registered.
- (1) Subject as follows, a company which is registered as unlimited may be re-registered as limited by shares if a special resolution that it should be so re-registered is passed, and the requirements of this section are complied with in respect of the resolution and otherwise.
- (2) A company shall not under this section be re-registered as a public company or company limited by guarantee, and a company shall be precluded from re-registering under it if it is unlimited by virtue of re-registration under section 51 of this Decree.
- (3) The special resolution shall state the proposed authorised share capital and provide for the making of such alterations in the memorandum as are necessary to bring it into conformity with the requirements of this Decree with respect to the memorandum of a company so limited, and such alterations in the articles as are requisite in the circumstances.
- (4) An application in the prescribed form for the company to be re-registered as limited signed by a director and the secretary of the company shall be lodged with the Commission together with the necessary documents, not earlier than the day on which the resolution was filed under section 237 of this Decree.
- (5) The documents to be lodged with the Commission shall be a printed copy of the -
 - (a) memorandum as altered in pursuance of the resolution; and
 - (b) articles as so altered.
- (6) If the Commission is satisfied that the company be re-registered under this section as a company limited by shares, it shall retain the application and other documents lodged with it under this section and register them, and it shall issue to the company a certificate of incorporation appropriate to the status to be assumed by the company by virtue of this section.
- (7) On the issue of the certificate -
 - (a) the status of the company shall, by virtue of the issue, change from unlimited to limited; and

Re-registration
of public compa-
nies as private

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- (b) the alterations in the memorandum specified in the resolution and the alterations in, and additions to, the articles so specified shall take effect accordingly.
- (8) The certificate shall be prima facie evidence that the requirements of this section in respect of re-registration and of matters precedent and incidental to it have been complied with, and that the company was authorised to be re-registered in pursuance of this section and was duly so re-registered.
- (9) The re-registration of an unlimited company as a limited company shall not affect the rights and liabilities of the company in respect of any debt or obligation incurred, or any contract entered into, by, to, with, or on behalf of the company before the re-registration, and those rights or liabilities may be enforced in the manner provided by Part III of this Decree as in the case of a company registered pursuant to Part II of this Decree.
- (1) A public company may be re-registered as a private company if -
 - (a) a special resolution complying with subsection (2) of this section that it should be so re-registered is passed and has not been cancelled by the court under this section.
 - (b) an application for the purpose in the prescribed form and signed by a director and the secretary of the company is delivered to the Commission together with a printed copy of the memorandum and articles of the company as altered by the resolution; and
 - (c) either -
 - (i) the period during which an application for the cancellation of the resolution under this section may be made has expired without any such application having been made; and
 - (ii) where such an application has been made, the application has been withdrawn or an order has been made confirming the resolution and a copy of that order has been delivered to the Commission.
- (2) The special resolution shall alter the company's memorandum so that it states that the company is a private company and shall make such other alterations in the company's memorandum and articles as are requisite in the circumstances.
- (3) Where the special resolution is passed, an application may be made to the court for the cancellation of the resolution, and such application may be made by -
 - (a) the holders of not less in the aggregate than 5 percent in the nominal value of the company's issued share capital, or any class thereof; or
 - (b) not less than 5 percent of the company's members; but not by a person who has consented to or voted in favour of the resolution.
- (4) The application shall be made within 28 days after the passing of the resolution and the applicant shall forthwith give notice of the application in the prescribed form to the Commission and to the company.
- (5) On the hearing of the application, the court shall make an order either cancelling or confirming the resolution and may make all such orders or give such directions as it may think expedient in the circumstances.

- (6) The company shall, within 15 days from the making of the court's order, or within such other period as the court may by order direct, deliver to the Commission a certified true copy of the order.
- (7) If a company fails to deliver to the Commission a certified true copy of the order as required in subsection (6) of this section, the company and any officer of it who is in default, shall be guilty of an offence and liable to a fine of ₦100 and for continued contravention, to a daily default fine of ₦25.
- (8) If the Commission is satisfied that a company may be re-registered under this section, it shall -
 - (a) retain the application and other documents delivered to it under this section;
 - (b) register the application and other documents; and
 - (c) issue the company with a certificate of incorporation as a private company.
- (9) On the issue of the certificate -
 - (a) the company shall become a private company; and
 - (b) the alteration in the memorandum and articles set out in the resolution shall take effect accordingly.
- (10) The certificate shall be prima facie evidence that -
 - (a) the requirements of this section in respect of re-registration and of matters precedent and incidental to it have been complied with; and
 - (b) the company is a private company.

CHAPTER 3 - FOREIGN COMPANIES.

Foreign companies intending to carry on business in Nigeria.

54. (1) Subject to sections 56 to 59 of this Decree, every foreign company which before or after the commencement of this Decree was incorporated outside Nigeria, and having the intention of carrying on business in Nigeria shall take all steps necessary to obtain incorporation as a separate entity in Nigeria for that purpose, but until so incorporated, the foreign company shall not carry on business in Nigeria or exercise any of the powers of a registered company and shall not have a place of business or an address for service of documents or processes in Nigeria for any purpose other than the receipt of notices and other documents, as matters preliminary to incorporation under this Decree.
- (2) Any act of the company in contravention of subsection (1) of this section shall be void.
- (3) Nothing in this section shall affect the status of -
 - (a) any foreign company which before the commencement of this Decree was granted exemption from compliance with Part X of the Companies Act 1968;
 - (b) any foreign companies exempted under any treaty to which Nigeria is a party.

- Penalties. 55. If any foreign company fails to comply with the requirements of section 54 of this Decree in so far as they may apply to the company, the company shall be guilty of an offence and liable on conviction to a fine of not less than ₦2,500; and every officer or agent of the company who knowingly and wilfully authorises or permits the default or failure to comply shall, whether or not the company is also convicted of any offence, be liable on conviction to a fine of not less than ₦250 and where the offence is a continuing one to a further fine of ₦25 for every day during which the default continues.
- Power to exempt foreign companies. 56. (1) A foreign company may apply to the National Council of Ministers for exemption from the provisions of section 54 of this Decree if that foreign company belongs to one of the following categories, that is :-
- (a) foreign companies (other than those specified in paragraph (d) of this subsection) invited to Nigeria by or with the approval of the Federal Government to execute any specified individual project;
 - (b) foreign companies which are in Nigeria for the execution of specific individual loan project on behalf of a donor country or international organisation;
 - (c) foreign government-owned companies engaged solely in export promotion activities;
 - (d) engineering consultants and technical experts engaged on any individual specialist project under contract with any of the governments in the Federation or any of their agencies or with any other body or person, where such contract has been approved by the Federal Government.
- (2) An application for exemption under this section shall be in writing addressed to the Secretary to the Government of the Federation and shall set out:-
- (a) the name and place of business of the foreign company outside Nigeria;
 - (b) the name and place of business or the proposed name and place of business of the foreign company in Nigeria;
 - (c) the name and address of each director, partner or other principal officer of the foreign company;
 - (d) a certified copy of the charter, statutes, or memorandum and articles of association of the company, or other instrument constituting or defining the constitution of the company and if the instrument is not written in the English language, a certified translation thereof;
 - (e) the names and addresses of some one or more persons resident in Nigeria authorised to accept on behalf of the foreign company services of process and any notice required to be served on the company;
 - (f) the business or proposed business in Nigeria or the foreign company and duration of such business;
 - (g) particulars of any project previously carried out by the company as an exempted foreign company; and
 - (h) such other particulars as may be required by the Secretary to the Federal Military Government.

- (3) Where the National Council of Ministers upon the receipt of an application for exemption is of the opinion, that the circumstances are such as to render it expedient that such an exemption should be granted, the National Council of Ministers may, subject to such conditions as it may prescribe, exempt the foreign company from the obligations imposed by or under this Decree.
- (4) Every exemption granted in pursuance of this section shall specify the period or, as the case may be, the project or series of projects, for which it is granted and shall lapse at the end of such period or upon the completion of such project or series of projects.
- (5) The National Council of Ministers may at any time revoke any exemption granted to any company, if it is of the opinion that the company has contravened any provision of this Decree or has failed to fulfil any condition contained in the exemption order or for any other good or sufficient reason.
- (6) The National Council of Ministers shall cause to be published, in the Gazette the name of any company:-
 - (a) to which an exemption has been granted and the period or, as the case may be, the project or series of projects for which the exemption is granted.
 - (b) whose exemption has been revoked and the effective date of such revocation.

Annual Report.	57.	(1)	Every exempted foreign company shall deliver to the Commission, every calendar year report in the form prescribed by the Commission.
Exempted foreign company to have status of un-registered company.	58.		Subject to this Decree and save as may be stated in the instrument of exemption, a foreign company exempted pursuant to this Decree shall have the status of an unregistered company and accordingly, the provisions of this Decree applicable to an unregistered company shall apply in relation to such an exempted company as they apply in relation to an unregistered company under this Decree.
Penalties for false information.	59.	(1)	Any person who for the purpose of obtaining exemption or of complying with any of the provisions of section 56 of this Decree, makes any statement or presents any instrument which is false in a material particular shall be guilty of an offence unless he proves that he has taken all reasonable steps to ascertain the truth of the statement made or contained in the instrument so presented.
		(2)	Any person who is guilty of an offence under this section shall be liable on conviction to a fine of ₦5,000 or imprisonment for a term of three years.

- Application of certain sections to foreign companies. 60. For the avoidance of doubt, it is hereby declared that -
- (a) save as provided in sections 55, 56, 57 and 58 of this Decree, nothing in this Decree shall be construed as authorising the disregard by any exempted foreign company of any enactment or rule of law; and
 - (b) nothing in this chapter shall be construed as affecting the rights or liability of a foreign company to sue or be sued in its name or in the name of its agent.

CHAPTER 4 - PROMOTERS

- Persons promoting a company. 61. Any person who undertakes to take part in forming a company with reference to a given project and to set it going and who takes the necessary steps to accomplish that purpose, or who, with regard to a proposed, or newly formed company, undertakes a part in raising capital for it, shall prima facie be deemed a promoter of the company:

Provided that a person acting in a professional capacity for persons engaged in procuring the formation of the company shall not thereby be deemed to be a promoter.

- Duties and liabilities of a promoter. 62. (1) A promoter stands in a fiduciary relationship to the company and shall observe the utmost good faith towards the company in any transaction with it or on its behalf and shall compensate the company for any loss suffered by reason of his failure so to do.
- (2) A promoter who acquired any property or information in circumstances in which it was his duty as a fiduciary to acquire it on behalf of the company shall account to the company for such property and for any profit which he may have made from the use of such property or information.
- (3) Any transaction between a promoter and the company may be rescinded by the company unless, after full disclosure of all material facts known to the promoter, such transaction shall have been entered into or ratified on behalf of the company -
- (a) by the company's board of directors independent of the promoter; or
 - (b) by all the members of the company; or
 - (c) by the company at a general meeting at which neither the promoter nor the holders of any shares in which he is beneficially interested shall vote on the resolution to enter into or ratify that transaction.
- (4) No period of limitation shall apply to any proceedings brought by the company to enforce any of its rights under this section but in any such proceedings the court may relieve a promoter in whole or in part and on such terms as it thinks fit from liability hereunder if in all the circumstances, including lapse of time, the court thinks it equitable to do so.

PART III - ACTS BY OR ON BEHALF OF THE COMPANY.

Exercise of Company's Powers.

- Division of powers between general meeting and board of directors. 63. (1) A company shall act through its members in general meeting or its board of directors or through officers or agents, appointed by, or under authority derived from, the members in general meeting or the board of directors.

- (2) Subject to the provisions of this Decree, the respective powers of the members in general meeting and the board of directors shall be determined by the company's articles.
- (3) Except as otherwise provided in the company's articles, the business of the company shall be managed by the board of directors who may exercise all such powers of the company as are not by this Decree or the articles required to be exercised by the members in general meeting.
- (4) Unless the articles shall otherwise provide, the board of directors, when acting within the powers conferred upon them by this Decree or the articles, shall not be bound to obey the directions or instructions of the members in general meeting:

Provided that the directors acted in good faith and with due diligence.

- (5) Notwithstanding the provisions of subsection (3) of this section, the members in general meeting may -
 - (a) act in any matter if the members of the board of directors are disqualified or are unable to act because of a deadlock on the board or otherwise;
 - (b) institute legal proceedings in the name and on behalf of the company, if the board of directors refuse or neglect to do so;
 - (c) ratify or confirm any action taken by the board of directors; or
 - (d) make recommendations to the board of directors regarding action to be taken by the board.
- (6) No alteration of the articles shall invalidate any prior act of the board of directors which would have been valid if that alteration had not been made.

Delegation
to committees
and managing
directors.

64.

Unless otherwise provided in this Decree or in the articles, the board of directors may -

- (a) exercise their powers through committees consisting of such members of the body as they think fit; or
- (b) from time to time, appoint one or more of their body to the office of managing director and may delegate all or any of their powers to such managing director.

Liability for acts of the Company.

Acts of general
meeting,
board of directors,
or of managing
directors.

65.

Any act of the members in general meeting, the board of directors, or of a managing director while carrying on in the usual way the business of the company shall be treated as the act of the company itself and the company shall be criminally and civilly liable therefore to the same extent as if it were a natural person:

Provided that -

- (a) the company shall not incur civil liability to any person if that person had actual knowledge at the time of the transaction in question that the general meeting, board of directors, or managing director, as the case may be, had no power to act in the matter or had acted in an irregular manner or if, having regard to his position with or relationship to the company, he ought to have known of the absence of such power or of the irregularity;

- (b) if in fact a business is being carried on by the company, the company shall not escape liability for acts undertaken in connection with that business merely because the business in question was not among the business authorised by the company's memorandum.

Acts of
officers or
agents.

66. (1) Except as provided in section 65 of this Decree, the acts of any officer or agent of a company shall not be deemed to be acts of the company unless -
- (a) the company, acting through its members in general meeting, board of directors, or managing director, shall have expressly or implied authorised such officer or agent to act in the matter; or
- (b) the company, acting as mentioned in paragraph (a) of this subsection, shall have represented the officer or agent as having its authority to act in the matter, in which event the company shall be civilly liable to any person who has entered into the transaction in reliance on such representation unless such person had actual knowledge that the officer or agent had no authority or unless having regard to his position with or relationship to the company, he ought to have known of such absence of authority.
- (2) The authority of an officer or agent of the company may be conferred prior to any action by him or by subsequent ratification, and knowledge of such action by the officer or agent and acquiescence therein by all the members of the company or by the directors for the time being or by the managing director for the time being shall be equivalent to ratification by the members in general meeting, board of directors, or managing director, as the case may be.
- (3) Nothing in this section shall derogate from the vicarious liability of the company for the acts of its servant while acting within the scope of their employment.

When provision
exempting, etc
officer from
liability to the
company is void.

67. (1) Any provision, whether contained in the articles of the company or in any contract with a company or otherwise, for exempting any officer of the company or any person (whether an officer of the company or not) employed by the company as auditor from, or indemnifying him against, any liability which by virtue of any rule of law, would otherwise attach to him in respect of any negligence, default, or breach of trust of which he may be guilty in relation to the company, shall be void.
- (2) Notwithstanding the provisions of subsection (1) of this section -
- (a) a person shall not be deprived of any exemption or right to be indemnified in respect of anything done or omitted to be done by him while any such provision as mentioned in that subsection was in force; and
- (b) a company may, in pursuance of any such provision as mentioned in subsection (1) of this section, indemnify any such officer or auditor against any liability incurred by him in defending any proceedings, whether civil or criminal in which judgement is given in his favour or in which he is acquitted or in connection with any application under section 641 of this Decree in which relief is granted to him by the court.

Constructive Notice of Registered Documents.

Abolition of
of constructive
notice of
registered
documents.

68. Except as mentioned in section 197 of this Decree, regarding particulars in the register of particulars of charges, a person shall not be deemed to have knowledge of the contents of the memorandum and articles of a company or of any other particulars, documents, or the contents of documents merely because such particulars or documents are registered by the Commission or referred to in any particulars or documents so registered or are available for inspection at an office of the company.

Presumptions of regularity	69	Any person having dealings with a company or with someone deriving title under the company shall be entitled to make the following assumptions and the company and those deriving title under it shall be stopped from denying their truth that - (a) the company's memorandum and articles have been duly complied with; (b) every person described in the particulars filed with the Commission pursuant to sections 35 and 292 of this Decree as a director, managing director or secretary of the company, or represented by the company, acting through its members in general meeting, board of directors or managing director, as an officer or agent of the company, has been duly appointed and has authority to exercise the powers and perform the duties customarily exercised or performed by a director, managing director, or secretary of a company carrying on business of the type carried on by the company or customarily exercised or performed by an officer or agent of the type concerned; (c) the secretary of the company, and every other officer or agent of the company having authority to issue documents or certified copies of documents on behalf of the company has authority to warrant the genuineness of the documents or the accuracy of the copies so issued; (d) a document has been duly sealed by the company if it bears what purports to be the seal of the company attested by what purports to be the signatures of two persons who, in accordance with paragraph (b) of this section, can be assumed to be a director and the secretary of the company;
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Provided that -

- (i) a person shall not be entitled to make such assumptions as aforesaid, if he had actual knowledge to the contrary or if, having regard to his position with or relationship to the company, he ought to have known the contrary;
- (ii) a person shall not be entitled to assume that any one or more of the directors of the company have been appointed to act as a committee of the board of directors or that an officer or agent of the company has the company's authority merely because the company's articles provided that authority to act in the matter may be delegated to a committee or to an officer or agent

Liability of company not affected by fraud or forgery of officer	70	Where, in accordance with sections 65 to 69 of this Decree, a company would be liable to a third party for the acts of any officer or agent, the company shall, except where there is collusion between the officer or agent and the third party, be liable notwithstanding that the officer or agent has acted fraudulently or forged a document purporting to be sealed by or signed on behalf of the company.
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Company's Contracts

Form of contract	71	(1) Contracts on behalf of a company may be made, varied or discharged as follows - (a) any contract which if made between individuals would be by law required to be in writing under seal, or which could be varied, or discharged only by writing under seal, may be made, varied or discharged, as the case may be, in writing under the common seal of the company; (b) any contract which if made between individuals would be by law required to be in writing, signed by the parties to be charged therewith, or which could be varied or discharged only by writing or written evidence signed by the parties to be charged, may be made, varied or discharged as the case may be, in writing signed in the name or on behalf of the company; and
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- (c) any contract which if made between individuals would be valid although made by parol only and not reduced into writing or which could be varied or discharged by parol, may be made, varied or discharged, as the case may be, by parol on behalf of the company.
- (2) A contract made according to this section shall be effectual in law, and shall bind the company and its successors and all other parties thereto, their heirs, executors, or administrators, as the case may be; and may be varied or discharged in the same manner in which it is authorised by this section to be made.
- Pre-incorporation contracts 72 (1) Any contract or other transaction purporting to be entered into by the company or by any person on behalf of the company prior to its formation may be ratified by the company after its formation and thereupon the company shall become bound by and entitled to the benefit thereof as if it has been in existence at the date of such contract or other transaction and had been a party thereto.
- (2) Prior to ratification by the company, the person who purported to act in the name of or on behalf of the company shall, in the absence of express agreement to the contrary, be personally bound by the contract or other transaction and entitled to the benefit thereof.
- Bills of exchange and promissory note 73 (1) A bill of exchange or promissory note shall be deemed to have been made, accepted, or endorsed on behalf of a company if made, or expressed to be made, accepted, or endorsed in the name of the company, or if expressed to be made, accepted or endorsed on behalf or on account of the company by a person acting under its authority.
- (2) The company and its successors shall be bound thereby if the company is in accordance with sections 65 to 67 of this Decree, liable for the acts of those who made, accepted or endorsed it in its name or on its behalf or account, and a signature by a director or the secretary on behalf of the company shall not be deemed to be a signature by procuration for the purposes of section 25 of the Bill Cap.21 of Exchange Act.
- Common seal of the company 74 A company shall have a common seal the use of which shall be regulated by the articles.
- Official seal for use abroad 75 (1) A company whose objects require or comprise the transaction of business in foreign countries may, if authorised by its articles, have for use in any territory, district, or place outside Nigeria, an official seal, which shall be a facsimile of the common seal of the company, with the addition on its face of the name of every territory, district, or place where it is to be used.
- (2) A company having such an official seal may, by writing under its common seal, authorise any person appointed for the purpose in any territory, district, or place outside Nigeria, to affix the same to any deed or other document to which the company is party in that territory, district, or place.
- (3) The authority of any such agent shall, as between the company and any person dealing with the agent, continue during the period, if any, mentioned in the instrument conferring the authority, or if no period is there mentioned, then until notice of the revocation or determination of the agent's authority has been given to the person dealing with him.
- (4) The person affixing any such official seal shall, by writing under his hand, on the deed or other document to which the seal is affixed, certify the date on which and place at which it is affixed.

- (5) A deed or other document to which an official seal is duly affixed shall bind the company as if it had been sealed with the common seal of the company.
- Powers of attorney. 76. (1) A company may, by writing under seal, empower any person, either generally or in respect of any specified matter, as its attorney, to execute deeds on its behalf in any place within or outside Nigeria.
- (2) A deed signed by a person empowered as provided in subsection (1) of this section shall bind the company and have the same effect as it would have if it were under the company's common seal.

Authentication and Service of Documents.

- Authentication of documents. 77. A document or proceeding requiring authentication by a company may be signed by a director, secretary, or other authorised officer of the company, and need not be under its common seal unless otherwise so required in this Part of this Decree.
- Service of documents on companies. 78. A court process shall be served on a company in the manner provided by the Rules of Court and any other document may be served on a company by leaving it at, or sending it by post, to the registered office or head office of the company.

PART IV - MEMBERSHIP OF THE COMPANY.

- Definitions of member. 79. (1) The subscribers of the memorandum of a company shall be deemed to have agreed to become members of the company, and on its registration shall be entered as members in its register of members.
- (2) Every other person who agrees in writing to become a member of a company, and whose name is entered in its register of members, shall be a member of the company.
- (3) In the case of a company having a share capital, each member shall be a shareholder of the company and shall hold at least one share.
- Capacity to be a member. 80. (1) As from the commencement of this Decree, an individual shall not be capable of becoming a member of a company if -
- (a) he is of unsound mind and has been so found by a court in Nigeria or elsewhere; or
- (b) he is an undischarged bankrupt.
- (2) A person under the age of 18 years shall not be counted for the purpose of determining the legal minimum number of members of a company.
- (3) A corporate body in liquidation shall not be capable of becoming a member of a company.
- (4) Where at the commencement of this Decree, any person falling within the provisions of subsection (1) of this section is a member of a company by reason of being a shareholder of the company, his share shall vest in his committee or trustee, as the case may be.
- (5) Where after the commencement of this Decree, any shareholder purports to transfer any shares to a person falling within the provisions of subsection (1) of this section, the purported transfer shall not vest the title in the shares in that person but the title shall remain in the purported transferor or his personal representative who shall hold the shares in trust for that person during the period of his incapacity.

Rights of member to attend meetings and vote.	81.	Every member shall, notwithstanding any provision in the articles, have a right to attend any general meeting of the company and to speak and vote on any resolution before the meeting: Provided that the articles may provide that a member shall not be entitled to attend and vote unless all calls or other sums payable by him in respect of shares in the company have been paid.
Personation of members.	82.	If any person falsely and deceitfully personates any member of a company and thereby obtains or endeavours to obtain any benefit due to any such member, he shall be guilty of an offence and be liable on conviction to imprisonment for a term of not more than 7 years or a fine of not more than =N=2,500.
<i>Register of Members.</i>		
Register of members.	83.	(1) Every company shall keep a register of its members and enter in it the following particulars - (a) the names and addresses of the members, and in the case of a company having a share capital a statement of the shares and class of shares, if any, held by each member, distinguishing each share by its number so long as the share has a number, and of the amount paid or agreed to be considered as paid on the shares of each member; (b) the date on which each person was registered as a member; and (c) the date on which any person ceased to be a member: Provided that, where the company has converted any of its shares into stock and given notice of the conversion to the Commission, the register shall show the amount of stock held by each member instead of the amount of shares and the particulars relating to share specified in paragraph (a) of this subsection. (2) The entry required under paragraph (a) or (b) of subsection (1) of this section, shall be made within 28 days of the conclusion of the agreement with the company to become a member or, in the case of a subscriber of the memorandum, within 28 days of the registration of the company. (3) The entry required under paragraph (c) of subsection (1) of this section shall be made within 28 days of the date on which the person concerned ceased to be a member, or, if he ceased to be a member otherwise than as a result of action by the company, within 28 days of production to the company of evidence satisfactory to the company of the occurrence of the event whereby he ceased to be a member. (4) Where a company makes default in complying with the provisions of this section, the company and every officer of the company who is in default shall be liable to a fine of =N=25 and a daily default fine of =N=5.00. (5) Liability incurred by a company from the making or deletion of an entry in its register of members, or from a failure to make or delete any such entry, shall not be enforceable after the expiration of 20 years from the date on which the entry was made or deleted or, in the case of any such failure, from the date on which the failure first occurred.
Location of register.	84.	(1) The register of members shall be kept at the registered office of the company, except that if -

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- (a) the work of making it up is done at another office of the company, it may be kept at that other office; and
- (b) the company arranges with some other person for the making up of the register to be undertaken on behalf of the company by that person, it may be kept at the office of that other person at which the work is done; but the register shall not be kept in the case of a company registered in Nigeria, at a place outside Nigeria.
- (2) Every company shall send notice to the Commission of the place where the register is kept and of any change of that place.
- (3) A company shall not be bound to send notice under this subsection where the register has, at all times since it came into existence or, in the case of a register in existence at the commencement of this Decree, at all times since then, been kept at the registered office of the company.
- (4) If a company makes default for 28 days in complying with subsection (2) of this section, the company and every one of its officers who is in default shall be liable to a fine of ₦10 and, for continued contravention, to a daily default fine of ₦5.
- Index of members to be kept. 85. (1) Every company having more than 50 members shall, unless the register of members is in such a form as to constitute in itself an index, keep an index, of the name of the members of the company and shall, within 14 days after the date on which any alteration is made in the register of members, make any necessary alteration in the index.
- (2) The index shall in respect of each member contain a sufficient indication to enable the account of that member in the register to be readily found.
- (3) The index shall, at all times, be kept at the same place as the register of members.
- (4) If default is made in complying with the provisions of this section, the company and every officer of the company who is in default shall be liable to a fine of ₦50.
- Entry of trusts prohibited. 86. No notice of any trust, express, implied or constructive shall be entered on the register of members or be receivable by the Commission.
- Inspection of register and index. 87. (1) Except when the register of members is closed under the provisions of this Decree, the register and the index of members' names shall be open during business hours (subject to such reasonable restrictions as the company in general meeting may impose, so however, that not less than 2 hours in each day shall be allowed for inspection) to the inspection of any member of the company without charge, and with the permission of the company to any other person on payment of ₦1 or any less sums as the company may prescribe for each inspection.
- (2) Any member or, with the permission of the company, any other person may require a copy of the register, or of any part thereof, on payment of 50 kobo, or such less sum as the company may prescribe, for every 100 words or fractional part thereof required to be copied; and the company shall cause any copy so required by any person to be sent to that person within a period of 10 days commencing on the day next after the day on which the requirement is received by the company.

- (3) In the case of a member, if any inspection required under this section is refused or if any copy required under this section is not sent within the prescribed period, the company and every officer of the company who is in default shall be liable in respect of each offence to a fine of =N=10.
- (4) In the case of any such refusal or default in the case of a member, the court may by order compel an immediate inspection of the register, and index or direct that the copies required shall be sent to the persons requiring them.
- Consequences of failure by agents' default to keep register. 88. Where by virtue of paragraph (b) of subsection (1) of section 84 of this Decree, the register of members is kept at the office of some person other than the company, and by reason of any default of his, the company fails to comply with subsection (1) or (2) of section 84 of this Decree, or with any requirements of this Decree as to the production of the register, that other person shall be liable to the same penalties as if he were an officer of the company who was in default, and the power of the court under subsection (4) of section 87 of this Decree shall extend to the making of orders against that other person and his officers and servants.
- Power to close register. 89. A company may, on giving notice by advertisement in a daily newspaper circulating in the district in which the registered office of the company is situated, close the register of members or any part of it for any time or times not exceeding on the whole 30 days in each year.
- Power of court rectify register. 90. (1) If -
- (a) the name of any person is, without sufficient cause, entered in or omitted from the register of members of a company; or
- (b) default is made or unnecessary delay takes place in entering on the register the fact of any person having ceased to be a member, the person aggrieved, or any member of the company, or the company, may apply to the court for rectification of the register.
- (2) The court may refuse the application, or order rectification of the register and payment by the company of any damages sustained by the party aggrieved.
- (3) On an application under this section, the court may decide any question relating to the title of any person who is a party to the application to have his name entered in or omitted from the register, whether the question arises between members or alleged members, or between members and alleged members on the one hand and the company on the other hand, and generally may decide any question necessary or expedient to be decided for rectification of the register.
- (4) In the case of a company required by this Decree to send a list of its members to the Commission, the court, when making an order for rectification of the register shall, by its order, direct notice of the rectification to be given to the Commission.
- Register to be evidence. 91. The register of members shall be prima facie evidence of matters which are by this Decree directed or authorised to be inserted in it.

Liability of Members

- Liability of members. 92. (1) Prior to the winding up of a company, a member of the company with shares shall be liable to contribute the balance, if any, of the amount payable in respect of the shares held by him in accordance with the terms of the agreement under which the shares were issued or in accordance with a call validly made by the company pursuant to its articles.

- (2) Where any contribution has become due and payable by reason of a call validly made by the company pursuant to the articles or where, under the terms of any agreement with the company, a member has undertaken personal liability to make future payments in respect of shares issued to him, the liability, of the member shall continue notwithstanding that the shares held by him are subsequently transferred or forfeited under a provision to that effect in the articles, but his liability shall cease if and when the company shall have received payment in full of all such moneys in respect of the shares.
- (3) Subject to subsections (1) and (2) of this section, no member or past member shall be liable to contribute to the assets of the company, except in the event of its being wound up.
- (4) In the event of a company being wound up every present or past member shall be liable to contribute to the assets of the company to an amount sufficient for payment of its debts and liabilities and for the costs, charges and expenses of the winding up and for the adjustment of the rights of the members and past members among themselves but subject to the following qualifications -
- (a) a past member shall not be liable to contribute if he has ceased to be a member for a period of one year or upwards before the commencement of the winding up;
 - (b) a past member shall not be liable to contribute unless it appears to the court that the existing members are unable to satisfy the contributions required to be made by them in pursuance of this section;
 - (c) in the case of a company limited by shares, no contributions shall be required from any member or past member exceeding the amount, if any, unpaid on the shares in respect of which he is liable as a present or past member;
 - (d) in the case of a company limited by guarantee, no contribution shall be required from any member or past member exceeding the amount undertaken to be contributed by him to the assets of the company in the event of its being wound up; and
 - (e) any sum due from the company to a member or past member, in his capacity as member, by way of dividends or otherwise shall not be set-off against the amount for which he is liable to contribute in accordance with this section but any such sum shall be taken into account for the purposes of final adjustment of the rights of the members and past members amongst themselves.
- (5) For the purposes of this section, the expression "past member" includes the estate of a deceased member and where any person dies after becoming liable as a member or past member such liability shall be enforceable against his estate.
- (6) Except as contained in this section, a member or past member shall not be liable as a member or past member for any of the debts and liabilities of the company.

Liability for
company debts
where member-
ship is below
legal minimum.

93.

If a company carries on business without having at least two members and does so for more than 6 months, every director or officer of the company during the time that it so carries on business after those 6 months who knows that it is carrying on business with only one or no member shall be liable and jointly and severally with the company for the debts of the company contracted during that period.

Disclosure of Beneficial Interest in Shares.

- Power of company to require disclosure. 94. (1) Notwithstanding the provisions of section 95 of this Decree, a public company may by notice in writing require any member of the company, within such reasonable time as is specified in the notice -
- (a) to indicate in writing the capacity in which he holds any shares in the company; and
 - (b) if he holds them otherwise than as beneficial owner, to indicate in writing the particulars of the identity of persons interested in the shares in question and whether persons interested in the same shares are parties to any agreement or arrangement relating to the exercise of any rights conferred by the holding of the shares.
- (2) Where a company is informed in pursuance of a notice given to any person under subsection (1) of this section, or under this subsection that any other person has an interest in any shares in the company, the company may, by notice in writing, require that other person within such reasonable time as is specified in the notice -
- (a) to indicate in writing the capacity in which he holds that interest; and
 - (b) if he holds it otherwise than as beneficial owner, to indicate in writing, so far as it lies within his knowledge, the persons who have any interests in them (either by name and address or by other particulars sufficient to enable them to be identified) and the nature of their interests.
- (3) Whenever a company receives information from a person in pursuance of a requirement imposed on him under this section with respect to shares held by a member of the company, it shall be under an obligation to inscribe against the name of the member in the register of members -
- (a) the fact that the requirement was imposed; and
 - (b) the information received in pursuance of the requirement.
- (4) Subject to subsection (5) of this section, any person who -
- (a) fails to comply with a notice under this section; or
 - (b) in purported compliance with such a notice, makes any statement which he knows to be false in a material particular or recklessly makes any statement which is false in a material particular, shall be guilty of an offence and liable to imprisonment for 6 months or to a fine of ₦25 for every day during which the default continues.
- (5) A person shall not be guilty of an offence under subsection (4) (a) of this section, if he proves that the information in question was already in the possession of the company or that the requirement to give it was for any other reason frivolous or vexatious.
- Obligation of disclosure by substantial shareholder in public company. 95. (1) A person who is a substantial shareholder in a public company shall give notice in writing to the company stating his name and address and giving full particulars of the shares held by him or his nominee (naming the nominee) by virtue of which he is a substantial shareholder.

- (2) A person is a substantial shareholder in a public company if he holds himself or by his nominee, shares in the company which entitle him to exercise at least 10 percent of the unrestricted voting rights at any general meeting of the company.
- (3) A person required to give a notice under subsection (1) of this section, shall do so within 14 days after that person becomes aware that he is a substantial shareholder.
- (4) The notice shall be so given notwithstanding that the person has ceased to be a substantial shareholder before the expiration of the period referred to in subsection (3) of this section.
- (5) A person who fails to comply with the provisions of this section shall be liable to a fine of =N=50 for every day during which the default continues.
- Person ceasing to be a substantial shareholder to notify company. 96. (1) A person who ceases to be a substantial shareholder in a public company shall give notice in writing to the company stating his name and the date on which he ceases to be a substantial shareholder and giving full particulars of the circumstances by reason of which he ceased to be a substantial shareholder.
- (2) A person required to give notice under subsection (1) of this section, shall do so within 14 days after he becomes aware that he has ceased to be a substantial shareholder.
- Register of interest in shares. 97. (1) A public company shall keep a register in which it shall enter -
- (a) in alphabetical order, the names of persons from whom it has received a notice under section 95 of this Decree; and
- (b) against each name so entered, the information given in the notice and where it receives a notice under section 95 of this Decree, the information given in that notice.
- (2) The register shall be kept at the place where the register of members required to be kept under section 84 of this Decree is kept and subject to the same right of inspection as the register of members.
- (3) The Commission may, at any time in writing, require the company to furnish it with a copy of the register or any part of the register and the company shall furnish the copy within 14 days after the day on which the requirement is received by the company.
- (4) If the company ceases to be a public company, it shall continue to keep the register until the end of the period of 6 years beginning with the day next following that on which it ceases to be such a company.
- (5) A company shall not, by reason of anything done for the purposes of this section, be affected with notice of, or put on enquiry as to, a right of a person to or in relation to a share in the company.
- (6) If default is made in complying with this section, the company and every officer of the company who is in default shall be liable to a fine of =N=25 and a daily default fine of =N=5.
- Registration of interest to be disclosed. 98. The matter relating to beneficial interest in shares required by section 94 of this Decree shall be entered in a different part of the register of interest which shall be so made up that the entries inscribed in it appear in chronological order.

PART V - SHARE CAPITAL.

Minimum Share Capital.

- Authorised minimum share capital.** 99. (1) Where after the commencement of this Decree, a memorandum delivered to the Commission under section 35 of this Decree states that the association to be registered is to be registered with shares, the amount of the share capital stated in the memorandum to be registered shall not be less than the authorised minimum share capital and not less than 25 percent of that capital shall be taken by the subscribers of the memorandum.
- (2) No company having a share capital shall, after, the commencement of the Decree, be registered with an authorised share capital less than the authorised minimum share capital.
- (3) Where at the commencement of this Decree, the authorised share capital of an existing company is less than the authorised minimum share capital, the company shall, not later than 30 days after the appointed date increase the share capital to an amount not less than the authorised minimum share capital of which not less than 25 percent shall be issued.
- (4) Subject to subsection (3) of this section and to section 103 of this Decree, where a company is registered with shares, its issued capital shall not at any time be less than 25 percent of the authorised share capital.
- (5) Where a company to which subsection (3) or (4) of this section applies fails to comply with the applicable subsection, it shall be liable to a fine of =N=2,500 and every officer who is in default shall be liable to a fine of =N=50 for every day during which the default continues.

Alteration of Share Capital.

- Alteration of share capital by consolidation etc.** 100. (1) A company having a share capital may in general meeting and not otherwise alter the conditions of its memorandum to the following extent, that is to say, it may -
- (a) consolidate and divide all or any part of its share capital into shares of larger amount than its existing shares;
- (b) convert all or any of its paid-up shares into stock, and re-convert the stock into paid-up shares of any denomination;
- (c) subdivide its shares or any of them, into shares of smaller amount than is fixed by the memorandum, so however, that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;
- (d) cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.
- (2) Cancellation of shares made in pursuance of this section shall not be deemed to be a reduction of share capital within the meaning of this Decree.

Notice required where shares and stock consolidated etc.	101.	(1)	If a company having share capital has - (a) consolidated and divided its share capital into shares of larger amount than its existing shares; or (b) converted any shares into stock; or (c) re-converted stock into shares; or (d) subdivided its shares or any of them; or (e) cancelled any shares, otherwise than in connection with a reduction of share capital under section 105 of this Decree, it shall within one month after so doing, give notice of it to the Commission specifying, as the case may be, the shares consolidated, divided, converted, subdivided, cancelled, or the stock re-converted. (2) If default is made in complying with this section, the company and every officer of the company who is in default shall be liable to a fine of =N=50 for every day during which the default continues.
Increase of share capital and notice of increase.	102.	(1)	A company having a share capital whether or not the shares have been converted into stock, may in general meeting and not otherwise, increase its share capital by new shares of such amount as it thinks expedient. (2) Where a company has increased its share capital it shall, within 15 days after the passing of the resolution authorising the increase, give to the Commission, notice of the increase and the Commission shall record the increase. (3) Where in connection with the increase of shares any approval is required to be obtained under any enactment other than this Decree the Commission may on application by a company extend the time within which to give notice of the increase to the Commission. (4) The notice to be given under this section shall include any particulars prescribed with respect to the classes of shares affected and the condition subject to which the new shares have been or are to be issued and the notice shall be accompanied by a printed copy of the resolution authorising the increase. (5) If default is made in complying with the provisions of this section, the company in default shall be liable to a fine of =N=50 for every day during which the default continues.
Increase on paid up capital on increase of shares.	103.		Where a company passes a resolution increasing its authorised share capital, the increase shall not take effect unless - (a) within 6 months of giving notice of the increase to the Commission, not less than 25 percent of the share capital including the increase has been issued; and (b) the directors have delivered to the Commission a statutory declaration verifying that fact.

- Power for unlimited company to provide reserve share capital on re-registration. 104. If an unlimited company resolves to be registered as a limited company under this Decree, it may -
- (a) increase the nominal amount of its share capital by increasing the nominal amount of each of its shares, but subject to the condition that no part of the increased capital shall be capable of being called up except in the event and for the purposes of the company being wound up; or
 - (b) provide that a specified portion of its uncalled share capital shall not be capable of being called up except in the event and for the purposes of the company being wound up.

Reduction of Share Capital.

- Restriction on reduction of issued share capital. 105. (1) Except as authorised by this Decree, a company having a share capital shall not reduce its issued share capital.
- (2) For the purposes of this and other sections relating to reduction of share capital, any issue of share capital shall include the share premium account and any capital redemption reserve account of a company, and "issued share capital" shall be construed accordingly.
- Special resolution for reduction of share capital. 106. (1) Subject to confirmation by the court, a company having share capital may, if so authorised by its articles, by special resolution reduce its share capital in any way -
- (2) In particular, and without prejudice to subsection (1) of this section, the company may -
- (a) extinguish or reduce the liability on any of its shares in respect of share capital not paid up; or
 - (b) either with or without extinguishing or reducing liability on any of its shares, cancel any paid-up share capital which is lost or unrepresented by available assets; or
 - (c) either with or without extinguishing or reducing liability on any of its shares, pay off any paid-up share capital which is in excess of the company's wants, and the company may, if and so far as is necessary, alter its memorandum by reducing the amount of its share capital and of its shares accordingly.
- (3) A special resolution under this section shall in this Decree be referred to as "a resolution for reducing share capital".
- Application to court for order of confirmation. 107. (1) Where a company has passed a resolution for reducing share capital, it may apply to the court for an order confirming the reduction.
- (2) If the proposed reduction of share capital involves either -
- (a) diminution of liability in respect of unpaid share capital; or
 - (b) subject to subsection (6) of this section, the payment to a shareholder of any paid up share capital, and in any other case if the court so directs, subsections (3), (4) and (5) of this section shall have effect.

-
- (3) Every creditor of the company who at the date fixed by the court is entitled to any debt or claim which, if that date were the commencement of the winding up of the company, would be admissible in proof against the company shall be entitled to object to the reduction of capital.
- (4) The court shall settle a list of creditors entitled to object, and for that purpose -
- (a) shall ascertain, as far as possible without requiring an application from any creditor, the names of those creditors and the nature and amount of their debts or claims;
 - (b) may publish notices fixing a day or days within which creditors not entered on the list are to claim to be so entered or are to be excluded from the right of objecting to the reduction of capital.
- (5) If a creditor entered on the list whose debt or claim is not discharged or has not been determined does not consent to the reduction, the court may, if it thinks, fit, dispense with the consent of that creditor, on the company securing payment of his debt or claim by appropriating (as the court may direct) the following amount if -
- (a) the company admits the full amount of the debt or claim or, though not admitting it, is willing to provide for it, then the full amount of the debt or claim;
 - (b) the company does not admit, and is not willing to provide for, the full amount of the debt or claim, or if the amount is contingent or not ascertained, then an amount fixed by the court after the like enquiry and adjudication as if the company were being wound up by the court.
- (6) If a proposed reduction of share capital involves either the diminution of any liability in respect of unpaid share capital or the payment to any shareholder of any paid up share capital, the court may, if having regard to any special circumstances of the case it thinks proper to do so, direct that subsections (3) to (5) of this section shall not apply as regards any class or any classes of creditors.

Court order
confirming
reduction

108

- (1) The court, if satisfied -
- (a) with respect to every creditor of the company who under section 107 of this Decree is entitled to object to the reduction of capital that either -
 - (i) his consent to the reduction has been obtained; or
 - (ii) his debt or claim has been discharged or has been determined, or has been secured; and
 - (b) that the share capital does not by this reduction fall below the authorised minimum share capital, may make an order confirming the reduction on such terms and conditions as it thinks fit.
- (2) Where the court so orders, it may also -
- (a) if for any special reason it thinks proper to do so, make an order directing that the company shall, during such period (commencing on or at any time after the date of the order) as is specified in the order, add to its name as its last words "and reduced";

- (b) make an order requiring the company to publish (as the court directs) the reasons for reduction of capital or such other information in regard to it as the court thinks expedient with a view to giving proper information to the public and (if the court thinks fit) the causes which led to the reduction.
- (3) Where the company is ordered to add to its name the words "and reduced", those words shall until the expiration of the period specified in the order, deemed to be part of the company's name.
- Registration of order and minutes of reduction 109
- (1) The Commission on production to it of the order of the court confirming the reduction of a company's share capital, and the delivery to it of a copy of the order and of minutes of the meeting of the company (approved by the court) showing, with respect to the company's share capital as altered by the order -
- (a) the amount of the share capital;
- (b) the number of shares into which it is to be divided, and the amount of each share; and
- (c) the amount (if any) at the date of the registration deemed to be paid up on each share shall register the order and minutes.
- (2) On the registration of the order and minutes, and not before, the resolution for reducing share capital as confirmed by the order so registered shall take effect.
- (3) A notice of the registration shall be published in such manner as the court may direct
- (4) The Commission shall certify the registration of the order and minutes; and the certificate -
- (a) may be either signed by the Registrar-General or authenticated by its official seal.
- (b) shall be prima facie evidence that all the requirements of this Decree with respect to the reduction of share capital have been complied with, and that the company's share capital is as stated in the minutes.
- (5) The minutes when registered shall be deemed to be substituted for the corresponding part of the company's memorandum, and valid and alterable as if it had been originally contained in it.
- (6) The substitution of such minutes for part of the company's memorandum shall be deemed an alteration of the memorandum.
- Liability of members on reduced shares 110
- (1) Where a company's share capital is reduced, a member of the company (past or present) shall not be liable in respect of any share to any call or contribution exceeding in amount the difference (if any) between the amount of the share as fixed by the minute and the amount paid on the share or the reduced amount (if any), which is deemed to have been paid on it, as the case may be.
- (2) Subsections (3) and (4) of this section shall apply if -
- (a) a creditor, entitled in respect of a debt or claim to object to the reduction of share capital, by reason of his ignorance of the proceedings for reduction

of share capital, or of their nature and effect with respect to his claim, is not entered on the list of creditors; and

(b) after the reduction of capital, the company is unable (within the meaning of section 409 of this Decree) to pay the amount of his debt or claim.

(3) Every person who was a member of the company at the date of registration of the order for reduction and minutes shall be liable to contribute for the payment of the debt or claim in question an amount not exceeding that which he would have been liable to contribute if the company had commenced to be wound up on the day before that date.

(4) If the company is wound up, the court, on application of the creditor in question and proof of ignorance referred to in subsection (2) (a), of this section, may (if it thinks fit), settle accordingly a list of persons so liable to contribute and make and enforce calls and orders on the contributories settled on the list, as if they were ordinary contributories in a winding up.

(5) Nothing in this section shall affect the rights of the contributories among themselves.

Penalty for
concealing
name of
creditor etc.

111.

If an officer of the company -

(a) wilfully conceals the name of a creditor entitled to object to the reduction of capital; or

(b) wilfully misrepresents the nature or amount of the debt or claim of any creditor; or

(c) aids, abets or is privy to any such concealment or misrepresentation as is mentioned above, he shall be guilty of an offence and liable on conviction to a fine of =N=500.

Miscellaneous Matters Relating to Capital.

Duty of
directors on
serious loss
of capital.

112.

(1) Where the net assets of a public company are half or less of its called up share capital, the directors shall, not later than 30 days from the earliest day on which that fact is known to a director of the company, duly convene an extraordinary general meeting of the company for a date not later than 60 days from that day for the purpose of considering whether any, and if so, what steps should be taken to deal with the situation.

(2) If there is a failure to convene an extraordinary general meeting as required by subsection (1) of this section, each of the directors of the company who -

(a) knowingly and wilfully authorises or permits the failure; or

(b) after the expiry of the period during which that meeting should have been convened, knowingly and wilfully authorises or permits the failure to continue, shall be liable to a fine of =N=500.

(3) Nothing in this section shall authorise the consideration, at a meeting convened in pursuance of subsection (1) of this section, of any matter which could not have been considered at that meeting apart from this section.

Power to pay interest out of capital in certain cases. 113. Where any shares of a company are issued for the purposes of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a long period, the company may pay interest on so much of that share capital as is for the time being paid up for the period and subject to the conditions and restrictions mentioned in this section, and may charge the same to capital as part of the cost of construction of the work, or building or the provision of plant:

Provided that -

- (a) no such payment shall be made unless it is authorised by the articles or by special resolution;
- (b) no such payment, whether authorised by the articles or by special resolution, shall be made without the previous sanction of the Commission;
- (c) before sanctioning any such payment the Commission may, at the expense of the company, appoint a person to inquire and report to it as to the circumstances of the case, and may, before making the appointment, require the company to give security for the payment of the costs of the inquiry;
- (d) the payment shall be made only for such period as may be determined by the Commission which shall in no case extend beyond the close of six months after the half year during which the works or buildings have been actually completed or the plant provided;
- (e) the rate of interest shall not exceed the current bank rate;
- (f) the payment of the interest shall not operate as a reduction of the amount paid up on the shares in respect of which it is paid.

PART VI - SHARES

Nature of Shares.

- Rights and liabilities attached to shares. 114. Subject to the provisions of this Decree, the rights and liabilities attaching to the shares of a company shall -
- (a) be dependent on the terms of issue and of the company's articles; and
 - (b) notwithstanding anything to the contrary in the terms or the articles include the right to attend any general meeting of the company and vote at such a meeting.
- Shares as transferable property. 115. The shares or other interest of a member in a company shall be property transferable in the manner provided in articles of association of the company.
- Prohibition of non-voting and weighted shares. 116. (1) Unless otherwise provided by any other enactment -
- (a) any shares issued by a company after the date of commencement of this Decree, shall carry the right on a poll at a general meeting of the company to one vote in respect of each share and no company may by its articles or otherwise authorise the issue of shares which carry more than one vote in respect of each share or which do not carry any right to vote; and

- (b) where, at the commencement of this Decree, any share of a company carries more than one vote or does not carry any vote at a general meeting of the company, such a share shall be deemed, as from the appointed day, to carry one vote only.
- (2) If a company contravenes any of the provisions of this section, the company and any officer in default shall be liable to a daily default fine of ₦50 and any resolution passed in contravention of this section shall be void.
- (3) Nothing in this section shall affect any right attached to a preference share under section 143 of this Decree.

Issue of Shares.

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|-------------------------------------|------|-----|---|
| Power of companies to issue shares. | 117. | | Subject to any limitation in the articles of a company with respect to the number of shares which may be issued, and any pre-emptive rights prescribed in the articles in relation to the shares, a company shall have the power, at such times and for such consideration as it shall determine, to issue shares up to the total number authorised in the memorandum. |
| Issue of classes of shares. | 118. | (1) | A company may, where so authorised by its articles issue classes of shares. |
| | | (2) | Shares shall not be treated as being of the same class unless they rank equally for all purposes. |
| Issue with rights attached. | 119. | | Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in a company may be issued with such preferred, deferred or other special rights or such restrictions, whether with regard to dividend, return of capital or otherwise, as the company may, from time to time, determine by ordinary resolution. |
| Issue of shares at a premium. | 120. | (1) | Shares of a company may be issued at a premium. |
| | | (2) | Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account, to be called "the share premium account", and the provisions of this Decree relating to the reduction of the share capital of a company shall, except as provided in this section apply as if the share premium account were paid up share capital of the company. |
| | | (3) | Notwithstanding, anything to the contrary in subsection (2) of this section, the share premium account may be applied by the company in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares, in writing off - |
| | | (a) | the preliminary expenses of the company; or |
| | | (b) | the expenses of, or the commission paid or discount allowed on, any issue of shares of the company; or in providing for the premium payable on redemption of any redeemable share of the company. |
| | | (4) | Where a company has before the commencement of this Decree issued any shares at a premium, this section shall apply as if the shares had been issued after the commencement of this Decree. |

Schedule 2			Provided that any part of the premium which has been so applied that it does not at the commencement of this Decree form an identifiable part of the company's reserves within the meaning of Schedule 2 to this Decree shall be disregarded in determining the sum to be included in the share premium account.
Issue of shares at a discount	121.	(1)	Subject to the provisions of this section, it shall be lawful for a company to issue at a discount shares in the company of a class of shares already issued. Provided that - (a) the issue of the shares at a discount is authorised by resolution passed in general meeting of the company and thereafter is sanctioned by the court; (b) the resolution specifies the maximum rate of discount at which the shares are to be issued; and (c) the shares to be issued at a discount are issued within the month after the date on which the issue is sanctioned by the court or within such extended time as the court may allow. (2) Where a company has passed a resolution authorising the issue of shares at a discount, it may apply to the court for an order sanctioning the issue, and on any such application the court, having regard to all the circumstances of the case, may if it thinks fit so to do and on such terms and conditions as it may impose, may make an order sanctioning the issue. (3) Every prospectus relating to the issue of the shares, shall contain particulars of the discount allowed on the issue of the shares or of so much of that discount as has not been written off at the date of the issue of the prospectus. (4) If default is made in complying with subsection (3) of this section, the company and every officer of the company who is in default shall be liable to a fine of =N=50 for everyday during which the default continues.
Issue of redeemable preference shares.	122.		Subject to the provisions of section 158 of this Decree, a company limited by shares may, if so authorised by its articles, issue preference shares which shall, or at the option of the company be liable to be redeemed.
Validation of improperly issued shares.	123.	(1)	Where a company has purported to issue or allot shares and the creation, issue or allotment of those shares was invalid by reason of any provision of this Decree or any other enactment or of the articles of the company or otherwise, or the terms of issue or allotment were inconsistent with or unauthorised by any such provision, the court may upon application made by the company or by a holder or mortgagee of those shares or by a creditor of the company, and upon being satisfied that in all the circumstances it is just and equitable to do so, validate the issue or allotment of those shares or confirm the terms of the issue and allotment, as the case may be. (2) In every case where the court validates an issue or allotment of shares or confirms the terms of an issue or allotment in accordance with subsection (1) of this section, it shall make upon payment of the prescribed fees an order which shall be proof of the validation or confirmation and upon the issue of the order, those shares shall be deemed to have been issued or allotted upon the relevant terms of issue or allotment.

Allotment of Shares.

Authority to allot shares. 1988 No. 29.	124.	Subject to the provisions of the Securities and Exchange Commission Decree 1988, the power to allot shares shall be vested in the company which may delegate it to the directors subject to any conditions or directions that may be imposed in the articles or from time to time by the company in general meeting.
Method of application and allotment.	125.	Without prejudice to the provisions of sections 566 to 574 of this Decree, the following provisions shall apply in respect of an application for allotment of issued shares of a company - (a) in the case of a private company or a public company where the issue of shares is not public, there shall be submitted to the company a written application signed by the person wishing to purchase shares and indicating the number of shares required; (b) in the case of a public company, subject to any conditions imposed by the Securities and Exchange Commission where the issue of shares is public, there shall be returned to the company a form of application as prescribed in the company's articles, duly completed and signed by the person wishing to purchase shares; (c) upon the receipt of an application, a company shall, where it wholly or partially accepts the application, make an allotment to the applicant and within 42 days after the allotment notify the applicant of the fact of allotment and the number of shares allotted to him; (d) an applicant under this section shall have the right at any time before allotment, to withdraw his application by written notice to the company.
Allotment as acceptance of contract.	126.	An allotment of shares made and notified to an applicant in accordance with section 125 of this Decree shall be an acceptance by the company of the offer by the applicant to purchase its shares and the contract takes effect on the date on which the the allotment is made by the company.
Payment on allotment.	127.	Subject to the provisions of sections 135 to 138 of this Decree, a company may in its articles, make provision with respect to payments on allotment of its shares.
Effect of irregular allotment.	128.	(1) An allotment made by a company before the holding of the statutory meeting to an applicant in contravention of the provisions of this Decree, shall be voidable at the instance of the applicant within one month after the holding of the statutory meeting of the company and not later, or where the allotment is made after the holding of the statutory meeting, within one month after the date of the allotment, and not later, and the allotment shall be so voidable notwithstanding that the company is in the course of being wound up. (2) If any director of a company knowingly contravenes or permits or authorises the contravention of any of the provisions of this Decree with respect to allotment, he shall be liable to compensate the company and the allottee respectively for any loss, damages or costs which the company or the allottee may have sustained or incurred thereby.

Provided that proceedings to recover any such loss, damages, or costs shall not be commenced after the expiration of two years from the date of the allotment.

- Return as to allotments. 129. (1) Whenever a company limited by shares makes any allotment of its shares, the company shall within one month thereafter deliver to the Commission for registration -
- (a) a return of the allotments stating the number and nominal amount of the shares comprised in the allotment, the names, addresses and description of the allottees, and the amount, if any, paid or due and payable on each share; and
 - (b) in the case of shares allotted as fully or partly paid up otherwise than in cash -
 - (i) a contract in writing constituting the title of the allottee to the allotment together with any contract of sale, or for services or other consideration in respect of which that allotment was made, such contracts being duly stamped;
 - (ii) a return stating the number and nominal amount of shares so allotted, the extent to which they are to be treated as paid up, and the consideration for which they have been allotted; and
 - (iii) particulars of the valuation of the consideration in accordance with section 137 of this Decree, if any.
- (2) If default is made in complying with this section, every officer of the company who is in default shall be liable to a fine of ₦50 for every day during which the default continues:

Provided that, in case of default in delivering to the Commission within one month after the allotment any document required to be delivered by this section, the company or any officer liable for the default, may apply to the court for relief, and the court, if satisfied that the omission to deliver the document was accidental or due to inadvertence or that it is just and equitable to grant relief, may make an order extending the time for the delivery of the document for such period as the court may think proper.

Commissions and Discounts.

- Prohibition of payment of commissions, discounts out of shares and capital. 130. (1) Except as provided in section 131 of this Decree, no company shall apply any of its shares or capital money either directly or indirectly in payment of any commission, discount or allowance to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any shares in the company, or procuring or agreeing to procure subscriptions, whether absolute or conditional, for any shares in the company, whether the shares or capital money are so applied by being added to the purchase money of any property acquired by the company or to the contract price of any work to be executed for the company, or any such money is paid out of the nominal purchase money or contract price, or otherwise.
- (2) Nothing in this section shall affect the payment of any brokerage as is usual for a company to pay.
- (3) A vendor to, promoter of, or other person who receives payment in money or shares from, a company shall have and shall be deemed always to have had power to apply any part of the money or shares so received in payment of any commission, the payment of which, if made directly by the company, would have been legal under this section.

- Power to pay commission in certain cases. 131. (1) It shall be lawful for a company to pay a commission to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any shares in the company or procuring or agreeing to procure subscription, whether absolute or conditional, for any shares in the company if -
- (a) the payment of the commission is authorised by the articles; and
 - (b) the commission paid or agreed to be paid does not exceed ten percent of the price at which the shares are issued or the amount or rate authorised by the articles, whichever is the lesser; and
 - (c) the amount or rate percent of the commission paid or agreed to be paid is
 - (i) in the case of shares offered to the public for subscription, disclosed in the prospectus; or
 - (ii) in the case of shares not offered to the public for subscription, disclosed in the statement in lieu of prospectus, or in a statement in the prescribed form signed in like manner as a statement in lieu of prospectus, and delivered before the payment of the commission to the Commission for registration, and where a circular or notice, not being a prospectus inviting subscription for the shares is issued, also disclosed in that circular or notice; and
 - (d) the number of shares which persons have agreed for a commission to subscribe absolutely is disclosed in the manner specified in this section.
- (2) If default is made in delivering to the Commission any document required to be delivered to the Commission under this section, the company and every officer in default shall be liable to a fine =N=250.
- Statement in balance sheet as to commission. 132. (1) Where a company has paid any sum by way of commission in respect of any shares in the company, the amount so paid or so much of it as has not been written off, shall be stated in every balance sheet of the company until the whole amount has been written off.
- (2) If default is made in complying with this section, the company and every officer of the company in default is guilty of an offence and liable to a fine of =N=50 for every day during which the default continues.

Call on and Payment for Shares.

- Call on shares. 133. (1) Subject to the terms of the issue of the shares and of the articles the directors may from time to time make calls upon the members in respect of any money unpaid on their shares (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of the shares made payable at fixed times:
- Provided that no call shall exceed one fourth of the nominal value of the share or be payable at less than one month from the date fixed for the payment of the last preceding call, and each member shall (subject to receiving at least 14 days notice specifying the time or times and place of payment) pay to the company at the time or times and place so specified the amount called on his shares, so however that a call may be revoked or postponed as the directors may determine.

- (2) A call shall be deemed to have been made at the time when the resolution of the directors authorising the call was passed, and may be required to be paid by instalments.
- (3) The joint holders of a share shall be jointly and severally liable to pay all calls in respect of the share.
- (4) If a sum called in respect of a share is not paid before or on the day appointed for payment, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment to the time of actual payment at such rate not exceeding the current bank rate per annum, as the directors may determine, but the directors shall be at liberty to waive payment of such interest wholly or in part.
- (5) Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the shares or by way of premium shall, for the purposes of these provisions, be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable, and in case of non-payment, all the relevant provisions of this Decree as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.
- (6) The directors may, if they think fit, receive from any member willing to advance the same, all or any part of the moneys uncalled and unpaid upon any shares held by him, and upon all or any of the moneys so advanced may (until the same would but for such advance, become payable) pay interest at such rate not exceeding (unless the company in general meeting shall otherwise direct) the current bank rate per annum as may be agreed upon between the directors and the member paying such sum in advance.

Reserve
liability of
company
having share
capital

134.

A company limited by shares may by special resolution determine that any portion of its share capital which has not been already called up shall not be capable of being called up; and thereupon that portion of its share capital shall not be capable of being called up, except in the event and for the purposes specified in this section.

Payment for
shares

135

Subject to the provisions of sections 136 and 137 of this Decree, the shares of a company and any premium on them shall be paid up in cash, or where the articles so permit, by a valuable consideration other than cash or partly in cash and partly by a valuable consideration other than cash.

Meaning of
payment in
cash.

136.

Shares shall not be deemed to have been paid for in cash except to the extent that the company shall actually have received cash for them at the time of, or subsequently to the agreement to issue the shares, and where shares are issued to a person who has sold or agreed to sell property or rendered or agreed to render services to the company or to persons nominated by him, the amount of any payment made for the property or services shall be deducted from the amount of any cash payment made for the shares and only the balance (if any) shall be treated as having been paid in cash for such shares notwithstanding any exchange of cheques or other securities for money.

Payment
other than in
cash.

137.

(1)

Where a company agrees to accept payment for its shares otherwise than wholly in cash, it shall appoint an independent valuer who shall determine the true value of the consideration other than cash, and prepare and submit to the company a report on the value of the consideration.

- (2) The valuer shall be entitled to require from the officers of the company such information and explanation as he thinks necessary to enable him carry out the valuation or make the report under subsection (3) of this section.
- (3) The company shall, not more than three days after the receipt by it of the valuers report, send a copy of it to the proposed purchaser of shares, and indicate to the proposed purchaser whether or not it intends to accept the consideration as payment or part-payment for its shares.
- (4) A company shall not accept as payment or part-payment for its share consideration other than cash unless the cash value of the consideration as determined by the valuer is worth at least as much as may be credited as paid up in respect of the shares allowed to the proposed purchaser.
- (5) A valuer who, in his report or otherwise, knowingly or recklessly makes a statement which is misleading, false or deceptive in a material particular shall be guilty of an offence and liable to imprisonment for 12 months or to a fine of ₦1,000 or both such imprisonment and fine.
- (6) For the purposes of this section "valuer" means an auditor, a valuer, a surveyor, an engineer, or an accountant not being a person in the employment of the company nor an agent or associate of the company or any of its directors or officers.

Power to
pay different
amounts on
shares.

138.

To the extent to which it is so authorised by its articles, a company may -

- (a) make arrangements on the issue of shares for a difference between the shareholders in the amounts and times of payment of call on their shares;
- (b) accept from any member the whole or part of the amount remaining unpaid on any shares held by him, although no part of that amount has been called up;
- (c) pay dividend in proportion to the amount paid up on each share where a larger amount is paid up on some shares than on others.

Lien and Forfeiture of Shares.

Lien on
shares.

139.

- (1) A company shall have a first and paramount lien on every share, (not being a fully paid share for all moneys (whether currently payable or not) called or payable at a fixed time in respect of that share, and the company shall also have a first and paramount lien on all shares (other than fully paid shares) standing registered in the name of a single person for all moneys presently payable by him or his estate to the company; but the directors may at any time declare any share to be wholly or in part exempt from the provisions of this subsection.
- (2) A company's lien, if any, on a share shall extend to all dividends payable on it.
- (3) A company may sell, in such manner as the directors think fit any share on which the company has a lien, but no sale shall be made unless a sum in respect of which the lien exists is currently payable, nor until the expiration of 14 days after a notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists as is currently payable, has been given to the registered holder for the time being of the shares, or the person entitled to them by reason of his death or bankruptcy.

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- (4) For the purpose of giving effect to any such sale the directors may authorise some person to transfer the shares sold to the purchaser of the shares, and the purchaser shall be registered as the holder of the shares comprised in any such transfer, and he shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.
- Forfeiture of shares. 140. (1) If a member fails to pay any call or instalment of a call on the day appointed for payment, the directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued.
- (2) The notice shall name a further day (not earlier than the expiration of 14 days from the date of service of the notice) on or before which the payment required by the notice is to be made, and it shall state that in the event of non-payment at or before the time appointed, the shares in respect of which the call was made shall be liable to be forfeited.
- (3) If the requirements of any such notice as is mentioned in sub-sections (1) and (2) of this section are not complied with, any share in respect of which notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the directors to that effect.
- (4) A forfeited share may be sold or otherwise disposed of on such terms and in such manner, as the directors think fit, and at any time before a sale or disposition, the forfeiture may be cancelled on such terms as the directors think fit.
- (5) A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares, but shall, notwithstanding, remain liable to pay to the company all moneys which, at the date of forfeiture, were payable by him to the company in respect of the shares, but his liability shall cease if and when the company receives payment in full of all such moneys in respect of the shares.
- (6) A statutory declaration that the declarant is a director or the secretary of the company, and that a share in the company has been duly forfeited on a date stated in the declaration, shall be prima facie evidence of the facts stated in it as against all persons claiming to be entitled to the shares.
- (7) The company may receive the consideration, if any, given for the share on any sale or disposition of it and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of, and he shall thereupon be registered as the holder of the share, and shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.
- (8) The provisions of this section as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

Classes of Shares.

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| Power to vary rights | 141 | (1) | If at any time the share capital of a company is divided into different classes of shares under section 118 of this Decree, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the company is being wound up, be varied with the consent, in writing, of the holders of three-quarters of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class. |
| | | (2) | To every such separate general meeting as is mentioned in subsection (1) of this section, the provisions of this Decree relating to general meetings shall apply, so however that the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. |
| | | (3) | The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking <i>pari passu</i> with them. |
| Application for cancellation of variation | 142 | (1) | Where in pursuance of section 141 of this Decree, the rights attached to any class of shares are at any time varied, the holders of not less in the aggregate than 15 percent of the issued shares of that class, being persons who did not consent to or vote in favour of the resolution for the variation, may apply to the court to have the variation cancelled, and, where any such application is made, the variation shall not have effect, unless and until it is confirmed by the court. |
| | | (2) | An application to the court under this section shall, in a proper case, be made within 21 days after the date on which the consent was given or the resolution was passed, as the case may be, and may be made on behalf of the shareholders entitled to make the application or by such one or more of their number as they may appoint in writing for the purpose. |
| | | (3) | If on any such application the court, after hearing the applicant and any other persons applying to it to be heard and appearing to be interested in the application, is satisfied that the variation would unfairly prejudice the shareholders of the class represented by the applicant, the court, having regard to all the circumstances of the case, may disallow the variation and shall if not satisfied, confirm the variation. |
| | | (4) | The decision of the court on any such application shall be final. |
| | | (5) | The company shall, within 15 days after the making of an order by the court on an application to it under this section, forward a copy of the order to the Commission and if default is made in complying with the provisions of this subsection, the company and every officer of the company who is in default shall be liable to a fine of ₦50 for every day during which the default continues. |
| | | (6) | In this section, "variation" includes abrogation and cognate expressions shall be constructed accordingly. |
| Right of a preference share to more than one vote | 143 | (1) | Notwithstanding the provisions of section 116 of this Decree, the articles may provide that preference shares issued after the commencement of this Decree shall carry the rights to attend general meetings and on a poll at the meetings to more than one vote per share in the following circumstances, but not otherwise, that is to say - |

- (a) upon any resolution during such period as the preferential dividend or any part of it remains in arrears and unpaid, such period starting from a date not more than 12 months or such lesser period as the articles may provide, after the due date of the dividend; or
 - (b) upon any resolution which varies the rights attached to such shares; or
 - (c) upon any resolution to remove an auditor of the company or to appoint another person in place of such auditor; or
 - (d) upon any resolution for the winding up of the company or during the winding up of the company.
- (2) Notwithstanding the provisions of section 116 of this Decree, any special resolution of a company increasing the number of shares of any class may validly resolve that any existing class of preference shares shall carry the right to such votes additional to one vote per share as shall be necessary in order to preserve the existing ratio which the votes exercisable by the holders of such preference shares at a general meeting of the company bear to the total votes exercisable at the meeting.
- (3) For the purposes of subsection (2) of this section, a dividend shall be deemed to be due on the date appointed in the articles for the payment of the dividend for any year or other period, or if no such date is appointed, upon the day immediately following the expiration of the year or other period, and whether or not such dividend shall have been earned or declared.

Construction
of class
rights.

144.

In construing the provisions of a company's articles in respect of the rights attached to shares, the following rules of construction shall be observed:-

- (a) unless the contrary intention appears, no dividend shall be payable on any shares unless the company shall resolve to declare such dividend;
- (b) unless the contrary intention appears, a fixed preferential dividend payable on any class of shares is cumulative, that is to say, no dividend shall be payable on any shares ranking subsequent to them until all the arrears of the fixed dividend have been paid;
- (c) unless the contrary intention appears, in a winding up arrears of any cumulative preferential dividend, whether earned or declared or are not payable up to the date of actual payment in the winding up;
- (d) if any class of shares is expressed to have a right to a preferential dividend, then, unless the contrary intention appears, such class has no further right to participate in dividends;
- (e) if any class of shares is expressed to have preferential rights to payment out of the assets of the company in the event of winding up, then unless the contrary intention appears, such class has no further right to participate in the distribution of assets in the winding up;
- (f) in determining the rights of the various classes to share in the distribution of the company's property on a winding up, no regard shall be paid, unless the contrary intention appears, to whether or not such property represents accumulated profits or surplus which would have been available for dividend while the company remained a going concern;

- (g) subject to this section, all shares rank equally in all respects, unless the contrary intention appears in the company's articles.

Numbering of Shares.

Shares to be
numbered. 145.

Each share in a company having a share capital shall be distinguished by its appropriate number:

Provided that, if at any time all the issued shares in a company, or all of its issued shares of a particular class, are fully paid up and rank *pari passu* for all purposes, none of those shares need thereafter have a distinguishing number so long as it remains fully paid up and ranks *pari passu* for all purposes with all shares of the same class for the time being issued and fully paid up.

Share Certificates.

Issue of share
certificates. 146.

- (1) Every company shall, within two months after the allotment of any of its shares and within 3 months after the date on which a transfer of any such shares is lodged with the company, complete and have ready for delivery the certificates of all shares allotted or transferred, unless the conditions of issue of the shares otherwise provide.

- (2) Every person whose name is entered as a member in the register of members shall be entitled without payment to receive within 3 months of allotment or lodgement of transfer or within such other period as the conditions of issue shall provide one certificate for all his shares or several certificates each for one or more of his shares upon payment of a fee as the directors shall, from time to time, determine.

- (3) Every certificate issued by a company shall be under the company's seal and shall specify the shares to which it relates and the amount paid up on them:

Provided that in respect of shares held jointly by several persons, the company shall not be bound to issue more than one certificate, and delivery of a certificate for shares to one of several joint holders shall be sufficient delivery to all such holders.

- (4) If a share certificate is defaced, lost or destroyed, it may be replaced on such terms (if any), as to evidence and indemnity and the payment of out of pocket expenses of the company of investigating evidence as the directors think fit.

- (5) If any company on which a notice has been served requiring it to make good any default in complying with the provisions of subsection (1) of this section fails to make good the default within 10 days after the service of the notice, the court may, on the application of the person entitled to have the certificate delivered to him, make an order directing the company and any officer of the company to make good the default within such time as may be specified in the order, and any such order may provide that all costs of and incidental to the application shall be borne by the company or by any officer of the company responsible for the default.

- (6) If default is made in complying with this section, the company and every officer of the company who is in default shall be liable to a fine of ₦50 for every day during which the default continues.

- (7) In this section, "transfer" means a transfer duly stamped and otherwise valid, but does not include a transfer which under this Decree, a company is for any reason entitled to refuse to and does not, register.

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| Effect of share certificate. | 147. | (1) | A certificate, under the common seal of the company, specifying any shares held by any member, shall be prima facie evidence of the title of the member to the shares. |
| | | (2) | If any person changes his position to his detriment in good faith on the continued accuracy of the statements made in a certificate, the company shall be estopped from denying the continued accuracy of such statements and shall compensate the person for any loss suffered by him in reliance on them and which he would not have suffered had the statements been or continued to be accurate. |
| | | (3) | Nothing contained in subsection (2) of this section shall derogate from any right the company may have to be indemnified by any other person. |
| Probate, etc. evidence of grants. | 148. | | The production to a company of any document which is by law sufficient evidence as of probate of the will, or letters of administration of the estate, or confirmation executor, of a deceased person having been granted to some person, shall be accepted by the company as sufficient evidence of the grant, notwithstanding anything in its articles to the contrary. |
| Abolition of share warrants. | 149. | (1) | As from the date of commencement of this Decree, no company shall have the power to issue share warrants. |
| | | (2) | Every company shall within a period of 30 days from the date of commencement of this Decree, cancel any share warrants previously issued by it which are still valid on that date and enter in its register of members the names and relevant particulars of the bearers of the share warrants. |
| | | (3) | A person whose name is entered in a company's register of members by virtue of subsection (2) of this section, shall be deemed to be a member of the company with effect from the date on which the share warrant thereby cancelled, was issued. |

Conversion of Shares into Stock.

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|----------------------------------|------|-----|--|
| Conversion of shares into stock. | 150. | (1) | The provisions of this section shall apply with respect to the conversion of all or any of the shares of a company into stock and the reconversion of such stock into shares under the provisions of section 100 of this Decree. |
| | | (2) | The conversion of any paid-up shares into stock and the reconversion of any stock into paid-up shares shall be by ordinary resolution of the company at a general meeting. |
| | | (3) | The holders of stock may transfer the same, or any part of it in the same manner, and subject to the same conditions, as and subject to which the shares from which the stock arose might previous to the conversion have been transferred, or as near to it as circumstances admit; and the directors may, from time to time, fix the minimum amount of stock transferable, so however that such minimum shall not exceed the nominal amount of the shares from which the stock arose. |
| | | (4) | The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meeting of the company and other matters as if they held the shares from which the stock arose, but no such privilege or advantage (except participation in the dividends and profit of the company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage. |

- (5) Such of the articles of the company as are applicable to paid-up shares shall apply to stock, and the words "shares" and "shareholder" in those articles shall include "stock" and "stockholder".

Transfer and Transmission.

- | | | |
|---------------------------------|------|--|
| Transfer of shares. | 151. | <p>(1) The transfer of company's shares shall be by instrument of transfer and except as expressly provided in the articles, transfer of shares shall be without restriction.</p> <p>(2) Notwithstanding anything in the articles of a company, it shall not be lawful for the company to register a transfer of shares in the company, unless a proper instrument of transfer has been delivered to the company;</p> <p>Provided that nothing in this section shall prejudice any power of the company to register as shareholder, any person to whom the right to any shares in the company has been transmitted by operation of law.</p> <p>(3) The instrument of transfer of any share shall be executed by or on behalf of the transferor and transferee, and the transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the register of members in respect of the share.</p> <p>(4) Subject to such of the restrictions of a company's articles as may be applicable, any member may transfer all or any of his shares by instrument in writing in any usual or common form or any other form which the directors may approve.</p> |
| Entry in register of transfers. | 152. | <p>(1) On the application of the transferor of any share or interest in a company, the company shall enter in its register of members, the names of the transferee in the same conditions as if the application for the entry were made by the transferee.</p> <p>(2) Until the name of the transferee is entered in the register of members in respect of the transferred shares, the transferor shall, so far as concerns the company, be deemed to remain the holder of the shares.</p> <p>(3) The company may refuse to register the transfer of a share (not being a fully paid share) to a person of whom they do not approve, and may also refuse to register the transfer of a share on which the company has a lien.</p> <p>(4) The company may refuse to recognise any instrument of transfer unless -</p> <p style="padding-left: 40px;">(a) a fee as the company may, from time to time, determine is paid to the company in respect of the instrument; and</p> <p style="padding-left: 40px;">(b) the instrument of transfer is accompanied by the certificate of the shares to which it relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer; and</p> <p style="padding-left: 40px;">(c) the instrument of transfer is in respect of only one class of shares.</p> |
| Notice of refusal to register. | 153. | <p>(1) If a company refuses to register a transfer of any shares it shall, within two months after the date on which the transfer was lodged with it, send notice of the refusal to the transferee.</p> <p>(2) If default is made in complying with this section, the company and every officer of the company who is in default shall be liable to a fine of ₦200.</p> |

Transfer by personal representative	154.		A transfer of the share or other interest of a deceased member of a company made by his personal representative shall, although the personal representative is not himself a member of the company, be as valid as if he had been such a member at the time of the execution of the instrument of transfer.
Transmission of shares	155	(1)	In case of the death of a member, the survivor or survivors where the deceased was a joint holder, or the legal personal representative of the deceased where he was a sole holder, shall be the only persons recognised by the company as having any title to his interest in the shares; but nothing in this section shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by him with other persons.
		(2)	Any person becoming entitled to a share in consequence of the death or bankruptcy of a member may, upon such evidence being produced as may, from time to time, properly be required by the directors and subject as hereafter provided in this section, elect either to be registered himself as holder of the share, or to have some person nominated by him registered as the transferee of the share; but the company shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by that member before his death or bankruptcy, as the case may be.
		(3)	If the person so becoming entitled elects to be registered himself, he shall deliver or send to the company a notice in writing signed by him stating that he so elects and if he elects to have another person registered, he shall testify his election by executing to that person a transfer of the share.
		(4)	All the limitations, restrictions and provisions of this Decree and the company's articles relating to the rights to transfer and the registration of transfers of share, shall be applicable to any such notice or transfer as mentioned in subsection (3) of this section as if the death or bankruptcy of the member had not occurred and the notice or transfer were a transfer signed by that member.
		(5)	A person becoming entitled to a share by reason of the death or bankruptcy of the holder, shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, unless the articles otherwise provide, before being registered as a member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the company:
			Provided that the directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within 90 days the directors may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the share until the requirements of the notice have been complied with.
Protection of beneficiaries	156	(1)	Any person claiming to be interested in any shares or the dividends or interest on them may protect his interest by serving on the company concerned a notice and affidavit of interest.
		(2)	Notwithstanding the provisions of section 86 of this Decree, the company shall enter on the register of members, the fact that such notice has been served and shall not register any transfer or make any payment or return in respect of the shares contrary to the terms of the notice until the expiration of 42 days notice to the claimant of the proposed transfer or payment.

- Certification of transfers. 157.
- (3) In the event of any default by the company in complying with this section, the company shall compensate any person injured by the default.
 - (1) When the holder of any shares of a company wishes to transfer, any person only a part of the shares represented by one or more certificates, the instrument of transfer together with the relevant certificates shall be delivered to the company with a request that the instrument of transfer be recognised and registered.
 - (2) A company to which a request is made under subsection (1) of this section, may recognise the instrument of transfer by endorsing on it the words "certificate lodged" or words to the like effect.
 - (3) The recognition by a company of any instrument of transfer of shares in the company shall be taken as a representation by the company to any person acting on the faith of the recognition that there have been produced to the company such documents as on the face of them show a prima facie title to the shares in the transferor named in the instrument of transfer, but not as a representation that the transferor has any title to the shares.
 - (4) Where any person acts on the faith of a false recognition by a company made negligently, the company shall be under the same liability to that person as if the recognition has been made fraudulently.
 - (5) For the purposes of this section -
 - (a) an instrument of transfer shall be deemed to be recognised if it bears the words "certificate lodged" or words to the like effect;
 - (b) the recognition of an instrument of transfer shall be deemed to be made by a company if -
 - (i) the person issuing the instrument is a person authorised to issue certificated instruments of transfer on the company's behalf, and
 - (ii) the recognition is signed by a person authorised to recognise transfers of shares on the company's behalf or by any officer or servant either of the company or of a body corporate so authorised;
 - (c) a recognition shall be deemed to be signed by any person if -
 - (i) it purports to be authenticated by his signature or initials (whether handwritten or not); and
 - (ii) it is not shown that the signature or initials was or were placed there by any person other than him or a person authorised to use the signature or initials for the purpose of transfers on the company's behalf.

Transactions by Company in Respect of its Own Shares,

- Redemption of redeemable preference shares. 158.
- (1) The provisions of this section shall apply with respect to the redemption by a company of any redeemable preference shares issued by it under section 122 of this Decree.

- (2) The shares shall not be redeemed unless they are fully paid, and redemption shall be made only out of -
 - (a) profits of the company which would otherwise be available for dividend; or
 - (b) the proceeds of a fresh issue of shares made for the purposes of the redemption.
- (3) Before the shares are redeemed, the premium, if any, payable on redemption, shall be provided for out of the profits of the company or out of the company's share premium account.
- (4) Where shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of profits which would otherwise have been available for dividend, be transferred to a reserve fund, to be called "the capital redemption reserve fund", a sum equal to the nominal amount of the shares redeemed, and the provisions of this Decree relating to the reduction of the share capital of a company shall, except as provided in this section, apply as if the capital redemption reserve fund were paid-up share capital of the company.
- (5) Subject to the provisions of this section, the redemption of preference shares thereunder may be affected on such terms and in such manner as are provided by the articles of the company.
- (6) The redemption of preference shares under this section by a company shall not be taken as reducing the amount of the company's authorised shared capital.
- (7) Where in pursuance of this section, a company has redeemed or is about to redeem any preference shares, it shall have power to issue shares up to the nominal amount of the shares redeemed or to be redeemed as if those shares had never been issued, and accordingly, the share capital of the company shall not, for the purposes of any enactments relating to stamp duty, be deemed to be increased by the issue of shares in pursuance of this subsection:

Provided that, where new shares are issued before the redemption of the old shares, the new shares shall not, so far as relates to stamp duty, be deemed to have been issued in pursuance of this subsection, unless the old shares are redeemed within one month after the issue of the new shares.

- (8) The capital redemption reserve fund may, notwithstanding anything in this section, be applied by the company in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares.

Prohibition of
financial assis-
tance by company
for acquisition of
its shares.

159.

- (1) In this section, financial assistance includes a gift, guarantee, security or indemnity, loan, any form of credit and any financial assistance given by a company, the net assets of which are thereby reduced to a material extent or which has no net assets.
- (2) Subject to the provisions of this section -
 - (a) where a person is acquiring or is proposing to acquire shares in a company, it shall not be lawful for the company or any of its subsidiaries to give financial assistance directly or indirectly for the purpose of that acquisition before or at the same time as the acquisition takes place; and

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- (b) where a person has acquired shares in a company and any liability has been incurred (by that or any other person), for the purpose of this acquisition, it shall not be lawful for the company or any of its subsidiaries to give financial assistance directly or indirectly for the purpose of reducing or discharging the liability so incurred.
- (3) Nothing in subsection (1) of this section shall be taken to prohibit -
- (a) the lending of money by the company in the ordinary course of its business, where the lending of money is part of the ordinary business of a company;
- (b) the provision by a company, in accordance with any scheme for the time being in force, of money for the purchase of, or subscription for, fully-paid shares in the company or its holding company, being a purchase or subscription by trustees of or for shares to be held by or for the benefit of employees of the company, including any director holding a salaried employment or office in the company;
- (c) the making by a company of loans to persons, other than directors, bonafide in the employment of the company with a view to enabling those persons to purchase or subscribe for fully-paid shares in the company or its holding company, to be held by themselves by way of beneficial ownership;
- (d) any act or transactions otherwise authorised by law.
- (4) If a company acts in contravention of this section, the company and every officer of the company who is in default shall be liable to a fine not exceeding ₦500.
- Acquisition by a company of its own shares. 160 (1) Subject to the provisions of subsection (2) of this section and its articles, a company may not purchase or otherwise acquire shares issued by it.
- (2) A company may acquire its own shares for the purpose of -
- (a) settling or compromising a debt or claim asserted by or against the company; or
- (b) eliminating fractional shares; or
- (c) fulfilling the terms of a non-assignable agreement under which the company has an option or is obliged to purchase shares owned by an officer or an employee of the company; or
- (d) satisfying the claim of a dissenting shareholder; or
- (e) complying with a court order.
- (3) A company may accept from any shareholder, a share in the company surrendered to it as a gift, but may not extinguish or reduce a liability in respect of an amount unpaid on any such share, except in accordance with section 106 of this Decree.
- Conditions for purchase by a company of its own shares. 161. Notwithstanding any provision in the articles, a company shall not purchase any of its own shares except on compliance with the following conditions that is -
- (a) shares shall only be purchased out of profits of the company which would otherwise be available for dividend or the proceeds of a fresh issue of share made for the purpose of the purchase;

		(b)	redeemable share shall not be purchased at a price greater than the lowest price at which they are redeemable or shall be redeemable at the next date thereafter at which they are due or liable to be redeemed;
		(c)	no purchase shall be made in breach of section 162 of this Decree.
Limit on number of shares acquired	162		No transaction shall be entered into by or on behalf of a company whereby the total number of its shares, or of its shares of any one class, held by persons other than the company or its nominees becomes less than 85 percent of the total number of shares, or of shares of that class, which have been issued.
			Provided that -
		(a)	redeemable shares shall be disregarded for the purposes of this section; and
		(b)	where, after shares of any class have been issued, the number of such shares has been reduced, this section shall apply as if the number originally issued (including share of that class cancelled before the reduction took effect) had been the number as so reduced.
Enforceability of contract to acquire shares	163	(1)	A contract with a company providing for the acquisition by the company of shares in the company is specifically enforceable against the company, except to the extent that the company cannot perform the contract without thereby being a breach of the provisions of section 160 of this Decree.
		(2)	In any action brought on a contract referred to in subsection (1) of this section, the company shall have the burden of proving that performance of the contract is prevented by the provisions of section 160 of this Decree
Re-issue of shares acquired	164		Where shares in a company are redeemed, purchased, acquired or forfeited, such share shall unless the company by alteration of its articles of association cancels the shares be available for re-issue by the company.
Acquisition of shares of holding company	165	(1)	A company which is a subsidiary may acquire shares in its holding company where the subsidiary company is concerned as personal representative or trustee, unless the holding company or any subsidiary of it is beneficially interested otherwise than by way of security for the purposes of a transaction entered into by it in the ordinary course of a business which includes the lending of money.
		(2)	A subsidiary which is, at the commencement of this Decree, a holder of shares of its holding company or a subsidiary which acquired shares in its holding company before it became a subsidiary of that holding company, may continue to hold such shares but, subject to subsection (1) of this section, shall have no right to vote at meetings of the holding company or any class of shareholders of the holding company and shall not acquire any future shares in it except on a capitalisation issue.
<i>PART VII - DEBENTURES.</i>			
<i>Creation of Debenture and Debenture Stock.</i>			
Power to borrow money, to charge property and to issue debentures	166		A company may borrow money for the purpose of its business or objects and may mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the company or of any third party.
Documents of title to debentures or certificate of debenture stock	167	(1)	Every company shall, within 60 days after the allotment of any of its debentures or after the registration of the transfer of any debentures, deliver to the registered holder thereof, the debenture or a certificate of the debenture stock under the common seal of the company.

- (2) If a debenture or debenture stock certificate is defaced, lost or destroyed, the company at the request of the registered holder of the debenture, shall issue a certified copy of the debenture or renew the debenture stock certificate on payment of a fee not exceeding ₦5 and on such terms as to evidence and indemnity and the payment of the company's out-of-pocket expenses of investigating evidence as the company may reasonably require.
- (3) If default is made in complying with this section, the company and any officer of the company who is in default shall be liable to a fine not exceeding ₦25; and on application by any person entitled to have the debentures or debenture stock certificate delivered to him, the court may order the company to deliver the debenture or debenture stock certificate and may require the company and any such officer to bear all the costs of and incidental to the application.

Statements
to be included
in debentures.

168.

Every debenture shall include a statement on the following matters, that is -

- (a) the principal amount borrowed;
- (b) the maximum discount which may be allowed on the issue or re-issue of the debentures, and the maximum premium at which the debentures may be made redeemable;
- (c) the rate of and the dates on which interest on the debentures issued shall be paid and the manner in which payment shall be made;
- (d) the date on which the principal amount shall be repaid or the manner in which redemption shall be effected, whether by the payment of instalments of principal or otherwise;
- (e) in the case of convertible debentures, the date and terms on which the debentures may be converted into shares and the amounts which may be credited as paid up on those shares, and the dates and terms on which the holders may exercise any right to subscribe for shares in right of the debentures held by them;
- (f) the charges securing the debenture and the conditions subject to which the debenture shall take effect.

Effect of
statement in
debentures.

169.

- (1) Statements made in debenture or debenture stock certificate shall be prima facie evidence of the title to the debentures of the person named therein as the registered holder and of the amounts secured thereby.
 - (2) If any person shall change his position to his detriment in reliance in good faith on the continued accuracy of any statements made in the debenture or debenture stock certificate, the company shall be estopped in favour of such person from denying the continued accuracy of such statements and shall compensate such person for any loss suffered by him in reliance thereon and which he would not have suffered had the statement been or continued to be accurate.
- Provided that nothing in this subsection shall derogate from any right the company may have to be indemnified by any other person.

Enforcement
of contracts
relating to
debentures.

170.

A contract with a company to take up and pay for any debentures of the company may be enforced by an order for specific performance.

Types of Debentures.

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| Perpetual debentures. | 171. | | A company may issue perpetual debentures, and a condition contained in any debentures, or in any deed for securing any debentures, shall not be invalid by reason only that the debentures are made irredeemable or redeemable only on the happening of a contingency, however remote, or on the expiration of a period, however long, any rule of equity to the contrary notwithstanding. |
| Convertible debentures. | 172. | | Debentures may be issued upon the terms that in lieu of redemption or repayment they may, at the option of the holder or the company, be converted into shares in the company upon such terms as may be stated in the debentures. |
| Secured or naked debentures. | 173. | (1) | Debentures may either be secured by a charge over the company's property or may be unsecured by any charge. |
| | | (2) | Debentures may be secured by a fixed charge on certain of the company's property or a floating charge over the whole or a specified part of the company's undertaking and assets, or by both a fixed charge on certain property and a floating charge. |
| | | (3) | A charge securing debentures shall become enforceable on the occurrence of the events specified in the debentures or the deed securing the same. |
| | | (4) | Where any legal proceedings are brought by a debenture holder to enforce the security of a series of debentures of which he holds part, the debenture holder shall sue in a representative capacity on behalf of himself and all other debenture holders of that series. |
| | | (5) | Where debentures are secured by a charge, the provisions of section 197 of this Decree relating to registration of particulars of charges shall apply. |
| Redeemable debentures. | 174. | | A company limited by shares may issue debentures which are, or at the option of the company are to be liable to be redeemed. |
| Power to re-issue redeemed debentures in certain cases. | 175. | (1) | Where either before or after the commencement of this Decree, a company has redeemed any debentures previously issued, then unless - <ul style="list-style-type: none"> (a) any provision, express or implied, to the contrary is contained in the articles or in any contract entered into by the company; or (b) the company has, by passing a resolution to that effect or by some other act, manifested its intention that the debentures shall be cancelled, the company shall have, and shall be deemed always to have had, power to re-issue the debentures, either by re-issuing the same debentures or by issuing other debentures in their place. |
| | | (2) | On a re-issue of redeemed debentures, the person entitled to the debentures, shall have, and shall be deemed always to have had, the same priorities as if the debentures had never been redeemed. |
| | | (3) | Where a company has either before or after the commencement of this Decree, deposited any of its debentures to secure advances, from time to time, on current account or otherwise, the debenture shall not be deemed to have been redeemed by reason only of the account of the company having ceased to be in debit, whilst the debentures remained so deposited. |
| | | (4) | The re-issue of a debenture or the issue of another debenture in its place under the power given by this section to or deemed to have been possessed by a company, whether the re-issue or issue was made before or after the commencement of this |

Decree, shall be treated as the issue of a new debenture for the purposes of a stamp duty, but it shall not be so treated for the purposes of any provision limiting the amount or number of debentures to be issued:

Provided that any person lending money on the security of a debenture re-issued under this section which appears to be duly stamped, may give the debenture in evidence in any proceedings for enforcing his security without payment of the stamp duty or any penalty in respect thereof, unless he had notice or, but for his negligence, might have discovered, that the debenture was not duly stamped, but in any such case the company shall be liable to pay the proper stamp duty and penalty,

- (5) Nothing in this section shall prejudice any power to issue debentures in place of any debentures paid off or otherwise satisfied or extinguished which, by its debentures or the securities for the same, is reserved to a company.

Rights of
debenture
holders.

176.

- (1) The trustees of a debenture trust deed shall hold all contracts, stipulations and undertakings given to him and all mortgages, charges and securities vested in him in connection with the debentures covered by the deed or some of these debentures, exclusively for the benefit of the debenture holders concerned (except in so far as the deed otherwise provides) and the trustee shall exercise due diligence in respect of the enforcement of those contracts, stipulations, undertakings, mortgages, charges and securities and the fulfillment of his functions generally.
- (2) A debenture holder may sue:-
- (a) the company which issued the debentures he holds for payment of any amount payable to him in respect of the debentures; or
- (b) the trustee of the debenture trust deed covering the debentures he holds for compensation for any breach of the duties which the trustee owes him, and in any such action, it shall not be necessary for any other debenture holders of the same class, or if the action is brought against the company, the trustee of the covering trust deed, to be joined as a party.
- (3) This section shall apply notwithstanding anything contained in a debenture, debenture trust deed or other instrument but a provision in a debenture or trust deed shall be valid and binding on all the debenture holders of the class concerned in so far as it enables a meeting of the debenture holders by a resolution supported by the votes of the holders of at least three-quarters in value of debentures of that class in respect of which votes are cast on the resolution to:-
- (a) release any trustee from liability for any breach of his duties to the debenture holders which he has already committed, or generally from liability for all such breaches without necessarily specifying them) upon his ceasing to be a trustee;
- (b) consent to the alteration or abrogation of any rights, powers or remedies of the debenture holders and the trustee of the debenture trust deed covering their debentures (except the powers and remedies under section 209 of this Decree); or
- (c) consent to the substitution for the debentures of a different class issued by the company or any other company or corporation, or the cancellation of the debentures in consideration of the issue to the debenture holders of shares credited as fully paid in the company or any other company.

Meetings of
debenture
holders.

177.

- (1) The terms of any debentures or trust deed may provide for the convening of general meetings of the debenture holders and for the passing, at such meetings, of a resolution binding on all the holders of the debentures of the same class.

- (2) Whether or not the debentures or trust deed contain such provisions as are referred to in subsection (1) of this section, the Commission may at any time direct a meeting of the debenture holders of any class to be held and conducted in such manner as the Commission thinks fit to consider ancillary or consequential direction as it shall think fit.
- (3) Notwithstanding anything contained in a debenture trust deed, or in any debenture or contract or instrument the trustee of the debenture deed shall, on the requisition of persons holding, at the date of the deposit of the requisition debentures covered by the trust deed which carry not less than one tenth of the total voting rights attached to all the issued and outstanding debentures of that class, forthwith, proceed duly to convene a meeting of that class of debentures holders.

Fixed and Floating Charges.

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|---|------|--|
| Meaning of 'floating' and 'fixed' charges. | 178. | <p>(1) "A floating charge" means an equitable charge over the whole or a specified part of the company's undertakings and "assets", including cash and uncalled capital of the company both present and future, but so that the charge shall not preclude the company from dealing with such assets until -</p> <ul style="list-style-type: none"> (a) the security becomes enforceable and the holder thereof, pursuant to a power in that behalf in the debenture or the deed securing the same, appoints a receiver or manager or enters into possession of such assets; or (b) the court appoints a receiver or manager of such assets on the application of the holder; or (c) the company goes into liquidation. <p>(2) On the happening of any of the events mentioned in subsection (1) of this section, the charge shall be deemed to crystallise and to become a fixed equitable charge on such of the company's assets as are subject to the charge, and if a receiver or manager is withdrawn with the consent of the chargee, or the chargee withdraws from possession, before the charge has been fully discharged, the charge shall thereupon be deemed to cease to be a fixed charge and again to become a floating charge.</p> |
| Priority of fixed over floating charge | 179 | A fixed charge on any property shall have priority over a floating charge affecting that property, unless the terms on which the floating charge was granted prohibited the company from granting any later charge having priority over the floating charge and the person in whose favour such later charge was granted had actual notice of that prohibition at the time when the charge was granted to him. |
| Powers of the court. | 180 | <p>(1) Whenever a fixed or floating charge has become enforceable, the court shall have power to appoint a receiver and in the case of a floating charge, a receiver and manager of the assets subject to the charge.</p> <p>(2) In the case of a floating charge, the court may, notwithstanding that the charge has not become enforceable, appoint a receiver or manager if satisfied that the security of the debenture holder is in jeopardy; and the security of the debenture holder shall be deemed to be in jeopardy if the court is satisfied that events have occurred or are about to occur which render it unreasonable in the interest of the debenture holder that the company should retain power to dispose of its assets.</p> <p>(3) A receiver or manager shall not be appointed as a means of enforcing debentures not secured by any charge.</p> |
| Advertisement of appointment of receiver and manager. | 181. | Where a receiver or a receiver and manager is appointed by the court, advertisement to this effect shall be made by the receiver or the receiver and manager in the Gazette and in two daily newspapers. |

- Preferential payment to debenture holders in certain cases. 182.
- (1) Where a receiver is appointed on behalf of the holders of any debentures of a registered company secured by a floating charge, or possession is taken by, or on behalf of those debenture holders of any property comprising or subject to the charge, then if the company is not at the time in course of being wound up, the debts which in every winding up are under the provisions relating to preferential payments in Part XV of this Decree to be paid in priority to all other debts, shall be paid out of any assets coming to the hands of the receiver or other person taking possession as aforesaid in priority to any claim for principal or interest in respect of the debentures.
 - (2) In the application of the provisions relating to preferential payments -
 - (a) section 494 of this Decree shall be construed as if, the provision for payment of accrued holiday remuneration becoming payable on the termination of employment before or by the effect of the winding-up order or resolution, were a provision for payment of such remuneration becoming payable on the termination of employment before or by the effect of appointment of the receiver or possession being taken as aforesaid; and
 - (b) the periods of time mentioned therein shall be reckoned from the date of the appointment of the receiver or of possession being taken as aforesaid, as the case may be, and if such date occurred before the commencement of this Decree, the provisions relating to preferential payments which would have applied but for this Decree, shall be deemed to remain in full force.
 - (3) Any payments made under this section, shall be recouped as far as may be out of the assets of the company available for payment of general creditors.

Debenture Trust Deed.

- Execution of debenture trust deed. 183.
- (1) Every company which offers debentures to the public for subscription or purchase shall, before issuing any of the debentures, execute debenture trust deed in respect of them and procure the execution of the deed by the trustee for the debenture holders appointed by the deed.
 - (2) No debenture trust deed shall cover more than one class of debentures, whether or not the trust deed is required by this section to be executed.
 - (3) Where a trust deed is required to be executed by this section but has not been executed, the court, on the application of a debenture holder concerned, may -
 - (a) order the company to execute a trust deed;
 - (b) direct that a person nominated by the court shall be appointed to be trustee; and
 - (c) give such consequential directions as it thinks fit, as to the contents of the trust deed and its execution by the trustee thereof.
 - (4) For the purposes of this Decree, debentures shall belong to different classes if different rights attach to them in respect of -
 - (a) the rate of, or dates for payment of interest;

- (b) the dates when, or the instalments by which, the principal of the debenture shall be repaid, unless the difference is solely that the class of debentures shall be repaid during a stated period of time and particular debentures may be repaid during a stated period of time and according to selections made by the company or by drawings, ballot or otherwise;
 - (c) any right to subscribed for or convert the debentures into shares in, or other debentures of, the company or any other company; or
 - (d) the powers of the debenture holders to realise any security.
- (5) Debentures further belong to different classes, if they do not rank equally for payment when any security invested in the debenture holders under any trust deed is realised or when the company is wound up, that is to say, if, in the circumstances mentioned in subsection (4) of this subsection the subject matter of any such security or the proceeds thereof, or any assets available to satisfy the debentures, is or are not to be applied in satisfying the debentures strictly in proportion to the amount of principal, premiums and arrears of interest to which the holders of them are respectively entitled.
- (6) a debenture is covered by a trust deed if -
- (a) the holder of the debenture is entitled to participate in any money payable by the company under the deed; or
 - (b) is entitled to the benefit of any mortgage, charge or security created by the deed, whether alone or together with other persons.
- (7) If a company issues debentures in circumstances in which this section requires a debenture trust deed to be executed without such a deed, having been executed in compliance with this section, or if the company issues debentures under a trust deed which covers two or more classes of debentures, the directors of the company who are in default are guilty of an offence and liable on conviction to a fine of =N=5,000 jointly or severally.
- Contents of debenture trust deed. 184. (1) Every debenture trust deed, whether required by section 183 of this Decree or not shall state -
- (a) the maximum sum which the company may raise by issuing debentures of the same class;
 - (b) the maximum discount which may be allowed on the issue or re-issue of the debentures, and the maximum premium at which the debentures may be made redeemable;
 - (c) the nature of any assets over which a mortgage, charge or security is created by the trust deed in favour of the trustee for the benefit of the debenture holders equally, and except where such a charge is a floating charge or a general floating charge, the identity of the assets subject to it;
 - (d) the nature of any assets over which a mortgage, charge or security has been or will be created in favour of any person other than the trustee for the benefit of the debenture holders equally, and except where such a charge is a floating charge or a general floating charge, the identity of the assets subject to it;

- (e) whether the company has created or will create any mortgage charge or security for the benefit of some, but not all, of the holders of debentures issued under the trust deed;
 - (f) any prohibition or restriction on the power of the company to issue debentures or to create mortgages, charges or any security on any of its assets ranking in priority to, or equally with the debentures issued under the trust deed;
 - (g) whether the company shall have power to acquire debentures issued under the trust deed before the date of their redemption and to re-issue the debentures;
 - (h) the rate of and the dates on which interest on the debentures issued under the trust deed shall be paid and the manner in which payment may be made;
 - (i) the date or dates on which the principal or the debentures issued under the trust deed shall be repaid, and unless the whole principal is to be repaid to all the debenture holders at the same time, the manner in which redemption shall be effected, whether by the payment of equal instalments of principal in respect of each debenture, or by the selection of the debentures for redemption by the company, or by drawing, ballot, or otherwise;
 - (j) in the case of convertible debentures, the dates and terms on which the debentures may be converted into shares and the amounts which may be credited as paid up on those shares in right of the debentures held by them;
 - (k) the circumstances in which the debenture holders shall be entitled to realise any mortgage, charge or security invested in the trustee or any other person for their benefit (other than the circumstances in which they are entitled to do so by this Decree);
 - (l) the powers of the company and the trustee to call meetings of the debenture holders and the rights of the debenture holders to require the company or the trustee to call such meetings;
 - (m) whether the rights of debenture holders may be altered or abrogated and if so, the conditions which must be fulfilled, and the procedure which must be followed, to effect such an alteration or abrogation; and
 - (n) the amount or rate of remuneration to be paid to the trustee and the period for which it shall be paid, and whether it shall be paid in priority to the principal, interest and costs in respect of debentures issued under the trust deed.
- (2) If debentures are issued without a covering debenture trust deed being executed, the statements required by subsection (1) of this section shall be included in each debenture or in a note forming part of the same document or endorsed thereon, and in applying that subsection references therein to "the debenture trust deed" shall be construed as references to all or any of the debentures of the same class.
- (3) Subsection (2) of this section shall not apply if the debenture is the only debenture of the class to which it belongs which has been or may be issued, and the rights of the debenture holder may not be altered or abrogated without his consent

- Contents of debenture covered by trust deed.
185. (4) Any director who issues debenture in violation of the provisions of this section shall be guilty of an offence.
- (1) Every debenture covered by a debenture trust deed shall state, either in the body thereof or in a note forming part of the same document or endorsed thereon -
- (a) the matters required to be stated in a debenture trust deed by paragraphs (a), (b), (f), (h), (i), (j), (l) and (m) of subsection (1) of section 184 of this Decree.
- (b) whether the trustee of the covering debenture trust deed holds the mortgages, charges and securities vested in him by the trust deed in trust for the debenture holders equally, or in trust for some only of the the debenture holders, and if so, which debenture holders; and
- (c) whether the debenture is secured by a general floating charge vested in the trustee of the covering debenture trust deed or in the debenture holders.
- (2) A debenture issued by a company shall state on its face in clearly legible print, that it is unsecured if no mortgage, charge or security is vested in the holder of the debenture or in any other person for his benefit as security for payment of principal or interest.
- (3) Any director of a company who issues a debenture in violation of the provisions of subsections (1) and (2) of this section shall be guilty of an offence.
- Trustees for debenture holders.
186. (1) Whether or not a debenture is secured by a charge over the company's property it may be secured by a trust deed appointing trustees for the debenture holders.
- (2) It shall be the duty of such trustees to safeguard the rights of the debenture holders and, on behalf of and for the benefit of the debenture holders, to exercise the rights, powers and discretions conferred upon them by the trust deed.
- (3) Charges securing the debentures may be created in favour of the debenture holders by vesting them in the trustees.
- (4) any provision contained in a trust deed or in any contract with the holders of debentures secured by a trust deed shall be void in so far as it would have the effect of exempting a trustee thereof from, or indemnifying him against, liability for any breach of trust or failure to show the degree of care and diligence required of him as trustee having regard to the powers, authorities or discretions conferred on him by the trust deed:
- Provided that nothing herein contained shall be deemed to invalidate any release otherwise validly given in respect of anything done or omitted to be done by a trustee on the agreement to such release of a majority of not less than three-quarters in value of the debenture holders present in person, or where proxies are permitted, by proxy at a meeting summoned for the purpose.
- (5) Notwithstanding any provisions contained in the debentures or trust deed, the court may, on the application of any debenture holder or of the Commission remove any trustee and appoint another in his place if satisfied that such trustee has interest which conflict or may conflict with those of the debenture holders or that for any reason it is undesirable that such trustee should continue to act:

Provided that where any such application is made by a debenture holder, the court if it thinks fit, may order the applicant to give security for the payment of the costs of the trustee and may direct that the application shall be heard in Chambers.

Disqualification
for appointment
as trustee of
debenture trust
deed.

187. (1) A person is not qualified for appointment as a trustee of a debenture trust deed if he is -
- (a) an officer or an employee of the company which issues debentures covered by the trust deed or of a company in the same group of companies as the company so issuing debentures;
 - (b) less than 18 years of age;
 - (c) of unsound mind and has been so found by a court in Nigeria or elsewhere;
 - (d) an undischarged bankrupt;
 - (e) disqualified under section 257 of this Decree from being appointed as a director of a company;
 - (f) a substantial shareholder (as defined in section 95 of this Decree) of the company.
- (2) If a trustee becomes subject to any of the disqualifications mentioned in subsection (1) of this section after he has been appointed, he shall immediately cease to be qualified to act as a trustee of the debenture trust deed.
- (3) Any person who acts as a trustee of a debenture trust deed shall be guilty of an offence, if his appointment is invalid under subsection (1) of this section or if he is disqualified from acting under subsection (2) of this section.

Liability of
trustees for
debenture
holders.

188. (1) Subject to the provisions of this section, anything contained in a trust deed for securing an issue of debentures, or in any contract with the holders of debentures secured by trust deed, shall be void in so far as it would have the effect of exempting a trustee thereof from or indemnifying him against liability for breach of trust, where he fails to show the degree of care and diligence required of him as trustee, having regard to the provisions of the trust deed conferring on him any powers, authorities or discretions.
- (2) Subsection (1) of this section shall not invalidate -
- (a) any release otherwise validly given in respect of anything done or omitted to be done by a trustee before the giving of the release; or
 - (b) any provision enabling such a release to be given -
 - (i) on the agreement thereto of a majority of not less than three quarters in value of the debenture holders present and voting in person or, where proxies are permitted, by proxy at a meeting summoned for the purpose; and
 - (ii) either with respect to specific acts or omissions or on the trustee dying or ceasing to act.
- (3) Subsection (1) of this section shall not operate to -

- (a) invalidate any provision in force at the commencement of this Decree in any such trust deed or contract, so long as any person entitled to the benefit of that provision, or afterwards given the benefit thereof under subsection (4) of this section, remains a trustee of the trust deed in question; or
 - (b) deprive any person of any exemption or right to be indemnified in respect of anything done or omitted to be done by him, while any such provision was in force.
- (4) While any trustee of a trust deed remains entitled to the benefit of a provision saved by subsection (3) of this section, the benefit of that provision may be given -
- (a) to all trustees of the deed, present and future; or
 - (b) to any named trustees or proposed trustees thereof, by a resolution, passed by a majority of not less than three-quarters in value of the debenture holders present in person or, where proxies are permitted by proxy at a meeting summoned for the purpose in accordance with the provisions of the trust deed or, if the trust deed makes no provision for summoning meetings, a meeting summoned for the purpose in any manner approved by the court.

Restrictions
on transfera-
bility of
debentures.

189. (1) Except as expressly provided in the terms of any debentures, debentures shall be transferable without restriction by a written transfer in common form and so that the transferee shall be entitled to the debenture and to the moneys secured thereby without regard to any equities, set-off, or cross claim between the company and the original or any intermediate holder.
- (2) The terms of any debenture may impose restrictions of any nature whatsoever on the transferability of debentures, including power for the company to refuse to register any transfer and provisions for compulsory acquisition or rights of first refusal in favour of other debenture holders, or members or officers of the company:

Provided that if any restriction is imposed on the right to transfer any debenture, notice of the restriction shall be endorsed on the face of the debenture or debenture stock certificate and in the absence of such endorsement, the restriction shall be ineffective as regards any transferee for value, whether or not he has notice of the restriction.

*Provisions as to Company's Register of Charges, Debenture Holders
and as to Copies of Instruments Creating Charges.*

Company to
keep copies of
instrument
creating charges.

190. Every company shall cause a copy of every instrument creating any charge requiring registration under this Part of this Decree to be kept at the registered office of the company.

Provided that, in the case of a series of uniform debentures, a copy of one debenture of the series shall be sufficient.

Company's
register of
charges.

191. (1) Every limited company shall keep at the registered office of the company, a register of charges and enter therein all charges specifically affecting property of the company and all floating charges on the undertaking or any property of the company giving in each case a short description of the property charged, the amount of the charge, and, except in the case of securities to bearer, the names of the persons entitled thereto.

- (2) If any officer of the company knowingly ~~and~~ wilfully authorises or permits the omission of any entry required to be made in pursuance of this section, he shall be guilty of an offence and liable on conviction to a fine not exceeding =N=250.
- Inspection of register and copies of instruments. 192. (1) The copies of instruments creating any ~~charge~~ requiring registration under this part of this Decree with the Commission ~~and the~~ register of charges kept in pursuance of section 191 of this Decree, shall be open during business hours (but subject to such reasonable restrictions as the company in general meeting may impose, so that not less than 2 hours in each day shall be allowed for inspection) to inspection by any creditor or member of the company without fee and the register of charges shall also be open to inspection by any other person on payment of such fee, not exceeding =N=5 for each inspection as the company may prescribe.
- (2) If inspection of copies of instruments creating charges or of the register is refused, every officer of the company who is in default shall be guilty of an offence and liable to a fine not exceeding =N=10 for every day during which the refusal continues.
- (3) If any such refusal occurs in relation to a company registered in Nigeria or, in so far as a foreign company has an established place of business within Nigeria and an instrument creates a charge over any of its property in Nigeria and the refusal relates to that charge, the court may by order compel an immediate inspection of the copies of instruments or register.
- Register of debenture holders 193. (1) A company which issues or has issued debentures shall maintain a register of the holders thereof.
- (2) The register shall contain the following information that is -
- (a) the names and addresses of the debenture holders;
 - (b) the principal of the debentures held by each of them;
 - (c) the amount or the highest amount of any premium payable on redemption of the debentures;
 - (d) the issue price of the debenture and the amount paid up on the issue price;
 - (e) the date on which the name of each person was entered on the register as a debenture holder, and
 - (f) the date on which each person ceased to be a debenture holder.
- (3) The entry required under this section shall be made within 30 days of the conclusion of the agreement with the company to become a debenture holder or within 30 days of the date at which he ceases to be one.
- Inspection of register of debentures, etc. 194. (1) Every register of holders of debentures of a company shall, except when duly closed (but subject to a such reasonable restrictions as the company may in general meeting impose, so that not less than two hours in each day shall be allowed for inspection), be open to the inspection of the registered holder of any such debentures or any holder of shares in the company without fee, and of any other person on payment of a fee of =N=1 or such less sum as may be prescribed by the company.

- (2) any such registered holder of debentures as aforesaid or any other person may require a copy of the register of the holders of debentures of the company or any part thereof on payment of 50K for every 100 words required to be copied.
- (3) a copy of any trust deed for securing any issue of debentures shall be forwarded to every holder of any such debentures at his request on payment in the case of a printed trust deed, of the sum of =N=1 or such less sum as may be prescribed by the company, or, where the trust deed has not been printed, on payment of 50K for every 100 words required to be copied.
- (4) If inspection is refused, or a copy is refused or not forwarded, the company and every officer of the company who is in default shall be guilty of an offence and liable to a fine not exceeding =N=50 and in case of a continuing default, to a further fine of =N=10 for every day during which the default continues.
- (5) Where a company is in default as aforesaid, the court convicting may by order compel on immediate inspection of the register or direct that the copies required shall be sent to the person requiring them.
- (6) For the purposes of this section, a register shall be deemed to be duly closed in accordance with provisions contained in the articles or in the debentures or, in the case of debenture stock, in the stock certificates, or in the trust deed or other document securing the debentures or debenture stock, during such periods, not exceeding in the whole 30 days in any year, as may be therein specified.

Entry in
register of
transfer.

195. On the application of the transferor of any debenture in a company, the company shall enter in its register of debenture holders, the name of the transferee in the same manner and subject to the same conditions as if the application for the entry were made by the transferee.

Notice of
refusal to
register.

196. (1) If a company refuses to register a transfer of any debentures, the company shall, within two months after the date on which the transfer was lodged with the company, send to the transferee notice of the refusal.
- (2) If any default is made in complying with the provisions of this section, the company and every officer of the company who is in default shall be guilty of an offence and liable to a fine of =N=500.

Registration of Charges with Commission.

Registration
of charges
created by
companies.

197. (1) Subject to the provisions of this Part of this Decree, every charge created by a company, being a charge to which this section applies, shall so far as any security on the company's property or undertaking is conferred be void against the liquidator and any creditor of the company, unless the prescribed particulars of the charge together with the instrument, if any, by which the charge is created or evidenced, have been or are delivered to or received by the Commission for registration in the manner required by this Decree or by any enactment repealed by this Decree within 90 days after the date of its creation but without prejudice to any contract or obligation for repayment of the money thereby secured, and when a charge becomes void under this section, the money thereby secured shall immediately become payable.
- (2) The provisions of this section shall apply to the following charges that is -
- (a) a charge for the purpose of securing any issue of debentures;

- (b) a charge on uncalled share capital of the company;
 - (c) a charge created or evidenced by an instrument which if executed by an individual would require registration as a bill of sale;
 - (d) a charge on land, wherever situate, or any interest therein, but not including a charge for rent or other periodical sum issuing out of land;
 - (e) a charge on book debts of the company;
 - (f) a floating charge on the undertaking or property of the company;
 - (g) a charge on calls made but not paid;
 - (h) a charge on a ship or aircraft or any share in a ship;
 - (i) a charge on goodwill, on a patent or a licence under a patent, on trade mark or on a copy right or a licence under a copyright.
- (3) Where a charge affects or relates to property situated in Nigeria and in addition to registration under subsection (1) of this section registration elsewhere in Nigeria is necessary to make the charge valid or effectual, it shall, subject to this subsection, be sufficient evidence of compliance with the requirements of subsection (1) of this section, if, instead of delivery of the original instrument creating or evidencing the charge, there is delivered to and received by the Commission within the prescribed period of 90 days, or such extended time as the court may allow, a true copy of it duly certified as such by the secretary to the company.
- (4) A reference in any enactment to the date of execution of an instrument for the purposes of computation of time within which registration is to be effected with or without penalty, shall be construed as a reference to the date of presentation of copy of the instrument to the Commission under this Decree, and time shall be computed accordingly; and if a certified copy is delivered to the Commission under this subsection, the original of it shall be produced to it for inspection and comparison, if the Commission so requires.
- (5) In the case of a charge created out of Nigeria, affecting or in relation to property situated outside Nigeria, the delivery to and the receipt by the Commission of a copy verified in the prescribed manner of the instrument by which the charge is created or evidenced shall have the same effect for the purposes of this section as the delivery and receipt of the instrument itself, and 90 days after the date on which the instrument or copy could, in due course of post, and if despatched with diligence, have been received in Nigeria shall be substituted for 90 days after the date of the creation of the charges as the time within which the particulars and instrument or copy are to be delivered to the Commission.
- (6) Where a charge is created in Nigeria but affects or relates to property outside Nigeria, the instrument creating or purporting to create the charge may be sent for registration under this section notwithstanding that further proceedings may be necessary to make the charge valid or effectual according to the law of the country in which the property is situate.
- (7) Where a negotiable instrument has been given to secure the payment of any book debts of a company, the deposit of the instrument for the purpose of securing an advance to the company shall not, for purposes of this section, be treated as a charge

on those book debts.

- (8) The holding of debentures entitling the holder to a charge on land shall not, for the purposes of this section, be deemed to be an interest in land.
- (9) Where a series of debentures containing, or giving by reference to any other instrument, any charge to the benefit of which the debenture holder of that series are entitled *pari passu* is created by a company, it shall, for the purposes of this section, be sufficient if there are delivered to or received by the Commission within 90 days after the execution of the deed containing the charge or, if there is no such deed, after the execution of any debentures of the series, the following particulars -
- (a) the total amount secured by the whole series; and
 - (b) the dates of the resolutions authorising the issues of the series and the date of the covering deed, if any, by which the security is created or defined; and
 - (c) a general description of the property charged; and
 - (d) the names of the trustees, if any, for the debenture holders; together with the deed containing the charge, or, if there is no such deed, one of the debentures of the series:

Provided that, where more than one issue is made of debentures in the series, there shall be sent to the Commission for entry in the register particulars of the date and amount of each issue, but an omission to do this shall not affect the validity of the debentures issued.

- (10) Where any commission, allowance or discount has been paid or made either directly or indirectly by a company to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any debentures of the company, or procuring or agreeing to procure subscriptions whether absolute or conditional, for any such debentures, the particulars required to be sent for registration under this section shall include particulars as to the amount or rate percent of commission, discount or allowance so paid or made, but an omission to do this shall not affect the validity of the debentures issued:

Provided that the deposit of any debentures as security for any debt of the company shall not, for the purposes of this subsection, be treated as the issue of the debentures at a discount.

- (11) In this part of this Decree, "charge" includes mortgage.

Register of
particulars of
charges.

198.

- (1) The Commission shall keep with respect to each company, a register in the prescribed form of all the charges requiring registration under this part of this Decree, and shall, on payment of such fee as may be specified by regulations made by the Commission, enter in the register with respect to such charges the following particulars -
- (a) in the case of a charge to the benefit of which the holders of a series of debentures are entitled, such particulars as are specified in section 197 (9) of this Decree;
 - (b) in the case of any other charge -

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- | | | | |
|---|------|-------|---|
| | | (i) | if the charge is a charge created by the company, the date of its creation, and if the charge was a charge existing on property acquired by the company, the date of its creation, and the date of the acquisition of the property; |
| | | (ii) | the amount secured by the charge; |
| | | (iii) | short particulars of the property; and |
| | | (iv) | the persons entitled to the charge. |
| | (2) | | Where a charge is registered under this Part of this Decree, the Commission shall issue a registration certificate setting out the parties to the charge, the amount thereby secured, with such other particulars as the Commission may consider necessary; and the certificate shall be prima facie evidence of due compliance with the requirements as to registration under this Part of this Decree. |
| | (3) | | The register kept in pursuance of this section shall be open to inspection by any person on payment of such fee, not exceeding ₦1 for each inspection as may be specified by regulations made by the Commission. |
| Duty of company to register charges | 199. | (1) | It shall be the duty of a company to send to the Commission for registration, the particulars of every charge created by the company and of the issues of debentures of a series requiring registration under section 197 of this Decree, but registration of any such charge may be effected on the application of any person interested therein. |
| | | (2) | Where registration is effected on the application of some person other than the company, that person shall be entitled to recover from the company the amount of any fees properly paid by him to the Commission on the registration. |
| | | (3) | If any company makes default in sending to the Commission for registration, the particulars of any charge created by the company or of the issues of debentures of a series requiring registration as aforesaid, then, unless registration has been effected on the application of some other person, the company and every officer of the company who is in default shall be guilty of an offence and liable to a fine of ₦500. |
| Duty of company acquiring property to register subsisting charge. | 200. | (1) | Where a company acquires any property which is subject to a charge of any such kind as would, if it has been created by the company after the acquisition of the property, have been required to be registered under this Part of this Decree, the company shall cause the prescribed particulars of the charge, together with a copy (certified in the prescribed manner to be a correct copy) of the instrument, if any, by which the charge was created or is evidenced, to be delivered to the Commission for registration in the manner required by this Decree within 90 days after the date on which acquisition is completed. |
| | | | Provided that, if the property is situated and the charge was created outside Nigeria, 90 days after the date on which the copy of the instrument could in due course of post, and if despatched with due diligence, have been received in Nigeria shall be substituted for 90 days after the completion of the acquisition, as the time within which the particulars and the copy of the instrument are to be delivered to the Commission. |
| | | (2) | If default is made in complying with this section, the company and every officer of |

the company who is in default shall be guilty of an offence and liable to a fine of =N=250.

- (3) It shall be sufficient compliance with this section in any case affecting Land registered under any enactment in a State, where the charge is registered thereunder before the land is acquired by the company, if a true copy of the charge duly certified by the Registrar of Land is delivered to the Commission within the time prescribed by this section.

Existing
charges

201. (1) Where, at the date of commencement of this Decree, a company has property on which there is a charge particulars of which would require registration if it had been created by the company after the date of such commencement then, unless the charge has been discharged or the property has ceased to be held by the company prior to the expiration of 6 months from the date of such commencement, the company shall, within that time, cause particulars of the charge as prescribed by section 197 of this Decree to be delivered to the Commission for registration together with the document, if any, by which the charge was created or a copy thereof, certified as required by that section.
- (2) Every existing company shall, prior to the expiration of the 6 months from the commencement of this Decree, deliver to the Commission for registration a statutory declaration made by a director and the secretary of the company stating whether or not there are any charges on the company's property of which particulars require to be registered under this section and confirming that particulars of any such charges have been duly delivered to the Commission for registration.
- (3) In the event of default in complying with subsection (2) of this section, the company and every officer of the company who is in default shall be guilty of an offence and liable to a fine not exceeding =N=50 for every day during which the default continues.
- (4) Failure to comply with the provisions of this section shall not affect the validity of the charge.

Charges to
secure fluctua-
ting amounts.

202. Where a charge, particulars of which require registration under section 197 of this Decree, is expressed to secure all sums due or to become due or some other uncertain or fluctuating amount, the particulars required under paragraph (a) of subsection (9) of section 197 of this Decree shall state the maximum sum deemed to be secured by such charge (being the maximum sum covered by the stamp duty paid thereon) and such charge shall be void, so far as any security on the company's property is thereby conferred, as respect to any excess over the stated maximum:

Provided that, if -

- (a) additional stamp duty is subsequently paid on such charge; and
- (b) at any time thereafter prior to the commencement of the winding up of the company, amended particulars of the said charge stating the increased maximum sum deemed to be secured thereby (together with the original instrument by which the charge was created or evidenced) are delivered to the Commission for registration, then, as from the date of such delivery the charge, if otherwise valid, shall be effective to the extent of such increased maximum sum except as regards any person who, prior to the date of such delivery, has acquired any proprietary rights in, or a fixed or floating charge on, the property subject to the charge.

Endorsement of certificate of registration on debentures.	203.	(1)	The company shall cause a copy of every certificate of registration given under section 198 of this Decree to be endorsed on every debenture or certificate of debenture stock which is issued by the company and the payment of which is secured by the charge so registered: Provided that nothing in this subsection shall be construed as requiring a company to cause a certificate of registration of any charge so given to be enforced on any debenture or certificate of debenture stock issued by the company before the charge was created.
		(2)	If any person knowingly and wilfully authorises or permits the delivery of any debenture or certificate of debenture stock which under the provisions of this section is required to have endorsed on it a copy of a certificate of registration without the copy being so endorsed upon it, he shall, without prejudice to any other liability, be guilty of an offence and liable to a fine not exceeding ₦500.
Entries of satisfaction of charges.	204.		If the Commission is satisfied with respect to any registered charge that - (a) that debt for which the charge was given has been paid or satisfied in whole or in part; or (b) part of the property or undertaking charged has been released from the charge or has ceased to form part of the company's property or undertaking, it may enter on the register a memorandum of satisfaction to the extent necessary to give effect thereto and, where it enters a memorandum of satisfaction it shall, if required, furnish the company with a copy of the entry, and any such entry shall have effect subject to the requirement of any other enactment as to registration.
Rectification of register.	205.		The court, on being satisfied that the omission to register a charge within the time required by this Decree or that the omission or mis-statement of any particular with respect to any such charge or in a memorandum of satisfaction was accidental, or due to inadvertence or to some other sufficient cause, or is not of a nature to prejudice the position of creditors or shareholders of the company, or that on other grounds it is just and equitable to grant relief, may, on the application of the company or any person interested and on such terms and conditions as seems to the Court just and expedient, order that the time for registration shall be extended or, as the case may be, that the omission or mis-statement shall be rectified.
Registration of appointment order, etc.	206.	(1)	If any person obtains an order for the appointment of a receiver or manager of the property of a company, or appoints such a receiver or manager under any powers contained in any instrument, he shall, within 7 days from the date of the order or the appointment under the said powers, give notice of the fact to the Commission and the Commission shall, on payment of such fee as may be specified by regulations made under this Decree, enter the fact in the register of charges.
		(2)	Where any person appointed receiver or manager of the property of a company under the powers contained in any instrument, ceases to act as such receiver or manager, he shall, on so ceasing, give the Commission notice to that effect, and the Commission shall enter, the notice in the register of charges.
		(3)	If any person makes default in complying with the requirements of this section, he shall be guilty of an offence and liable to a fine not exceeding ₦50 for every day during which the default continues.

Inspection of
register and
copies of
instruments.

207. (1) The copies of instruments creating any charge requiring registration under this part of this Decree with the Commission and the register of charges kept in pursuance of section 198 of this Decree, shall be open during business hours (but subject to such reasonable restrictions as the company in general meeting may impose, so that not less than two hours in each day shall be allowed for inspection) to inspection by any creditor or member of the company without fee, and the register of charges shall also be open to inspection by any other person on payment of such fee, not exceeding ₦1 for each inspection, as the company may prescribe.
- (2) If inspection of copies of instruments creating charges or of the register is refused, every officer of the company who is in default shall be guilty of an offence and liable to a fine not exceeding ₦5 for every day during which the refusal continues.
- (3) If any such refusal occurs in relation to a company registered in Nigeria or, in so far as a foreign company has an established place of business within Nigeria and an instrument creates a charge over any of its property in Nigeria and the refusal relates to that charge, the court may by order compel an immediate inspection of the copies or register.

Realisation of Security.

Realisation
debenture
holder's
security.

208. (1) A debenture holder shall be entitled to realise any security vested in him or in any other person for his benefit if -
- (a) the company fails to pay any instalment of interest, or the whole or part of the principal or any premium, owing under the debenture or the debenture trust deed covering the debenture within one month after it becomes due;
 - (b) the company fails to fulfil any of the obligations imposed on it by the debentures or the debenture trust deed;
 - (c) any circumstances occur which by the terms of the debentures or debenture trust deed entitled the holder of the debentures to realise his security; or
 - (d) the company is wound up.
- (2) A debenture holder whose debenture is secured by a general floating charge vested in him or the trustee of the covering debenture trust deed or any other person shall additionally be entitled to realise his security if -
- (a) any creditor of the company issues a process of execution against any of its assets or commences proceedings for winding up of the company by order of any court of competent jurisdiction; or
 - (b) the company ceases to pay its debts as they fall due; or
 - (c) the company ceases to carry on business; or
 - (d) the company suffers, after the issue of debenture of the class concerned, losses or diminutions in the value of its assets which in the aggregate amount to more than one-half of the total amount owing in respect of debentures of the class held by the debenture holder who seeks to enforce his security and debentures whose holder ranks before him for payment of principal or interest; or

- (e) any circumstances occur which entitles a debenture holder who ranks for payment of principal or interest in priority to the debentures secured by the general floating charges to realise his security.
- Remedies available to debenture holders 209. (1) At any time after a debenture holder or a class of debenture holders becomes entitled to realise his or their security, a receiver of any assets subject to a mortgage, charge or security in favour of the class of debenture holders or the trustee of the covering trust deed or any other person may be appointed by -
- (a) that trustee;
 - (b) the holders of debentures of the same class containing power to appoint; or
 - (c) debenture holders having more than one half- of the total amount owing in respect of all the debentures of the same class; or
 - (d) the court on the application of the trustee.
- (2) Subject to any conditions imposed in the debenture or debenture trust deed, a debenture holder or a trustee in the case of a trust deed may -
- (a) bring an action in a representative capacity against the company for payment and enforcement of the security; or
 - (b) realise his security by -
 - (i) bringing a foreclosure action; or
 - (ii) commencing a winding up proceeding.
- (3) A receiver appointed under this section shall have subject to any order made by the court, power to take possession of the assets subject to the mortgage, charge or security and to sell those assets and, if the mortgage, charge or security extends to such property, to collect debts owed to the property, to enforce claims vested in the company, to compromise, settle and enter into arrangements in respect of claims by or against the company, on the company's business with a view to selling it on the most favourable terms, to grant or accept leases of land and licences in respect of patents, designs, copyright or trademarks, and to recover any instalment unpaid on the company's issued shares.
- (4) Where a representative action is being brought under paragraph (a) of subsection (2) of this section, the approval of the court shall be obtained where the company is being wound up.
- (5) The remedies given by this section shall be in addition to, and not in substitution for, any other powers and remedies conferred on the trustee of the debenture trust deed or on the debenture holders by the debentures or debenture trust deed, and any power or remedy which is expressed in any instrument to be exercisable if the debenture holders become entitled to realise their security is exercisable on the occurrence of any of the events specified in subsection (1) of section 208 of this Decree or in the case of a general charge in subsections (1) and (2) of section 208 of this Decree; but a manager of the business or of any of the assets of a company may not be appointed for the benefit of debenture holders unless a receiver has also been

appointed and has not ceased to act.

- (6) The provisions of section 387 to 400 of this Decree shall apply to receivers and managers under this Part of this Decree.
- (7) No provision in any instrument which purports to exclude or restrict the remedies given by this section shall be valid.

Application
of certain
sections.

210.

Subject to the provisions of this Part of this Decree and unless the context otherwise admits, the provisions of sections 146, 147, 151, 153, 156 and 157 of this Decree relating to share certificates and transfer of shares shall apply in respect of shares as if "debentures" were substituted for "shares" and "debentures holders" for "shareholders".

PART VIII - MEETINGS AND PROCEEDINGS OF COMPANIES

Statutory Meeting.

Statutory
meetings.

211.

- (1) Every public company shall, within a period of 6 months from the date of its incorporation, hold a general meeting of the members of the company (in this Decree referred to as "the statutory meeting").
- (2) The directors shall, at least 21 days before the day on which the statutory meeting is held, forward to every member of the company statutory report.
- (3) The statutory report shall be certified by not less than 2 directors or by a director and the secretary of the company and shall state -
 - (a) the total number of shares allotted, distinguishing shares allotted as fully or partly paid up otherwise than in cash, and stating in the case of shares partly paid up the extent to which they are so paid up, and in either case the consideration for which they have been allotted;
 - (b) the total amount of cash received by the company in respect of all the shares allotted, distinguished as aforesaid;
 - (c) the names, addresses and descriptions of the directors, auditors, managers, if any, and secretary of the company;
 - (d) the particulars of any pre-incorporation contract together with the particulars of any modification or proposed modification thereon;
 - (e) any underwriting contract that has not been carried out and the reasons therefore;
 - (f) the arrears if any, due on calls from every director;
 - (g) the particulars of any commission or brokerage paid or to be paid in connection with the issue of sale of shares or debentures to any director or to the manager.
- (4) The report shall also contain an abstract of the receipts of the company and of the payments made from them up to a date within 7 days of the date of the report, exhibiting under distinctive headings the receipt of the company from shares and debentures and other sources, the payments made from such receipts and particulars

concerning the balance remaining in hand, and an account or estimate of the preliminary expenses of the company.

- (5) The statutory report shall, so far as it relates to the shares allotted by the company, and to the cash received in respect of such shares, and to the receipts and payments of the company on capital account, be certified as correct by the auditors of the company.
- (6) The directors shall cause a copy of the statutory report, certified as required by this section, to be delivered to the Commission for registration forthwith after the sending of copies to the members of the company.
- (7) The directors shall cause a list showing the names, descriptions and addresses of the members of the company, and the number of shares held by them respectively, to be produced at the commencement of the meeting and to remain open and accessible to any member of the company during the continuance of the statutory meeting.
- (8) The members of the company present at the statutory meeting shall be at liberty to discuss any matter relating to the formation of the company and its commencement of business or arising out of the statutory report.
- (9) Any member who wishes a resolution to be passed on any matter arising out of the statutory report shall give further 21 days notice from the date on which the statutory report was received to the company of his intention to propose such a resolution.
- (10) The statutory meeting may adjourn from time to time and at any adjourned meeting any resolution of which notice has been given in accordance with the articles, either before or subsequently to the former meeting, may be passed, and the adjourned meeting shall have the same powers as an original meeting.

Non-compliance 212.
and penalty.

Without prejudice to the provisions of section 408 of this Decree, if a company fails to comply with the requirements of section 211 of this Decree, the company and any officer in default shall be guilty of an offence and liable to a fine of ₦50 for every day during which the default continues.

General Meeting.

Annual General 213.
Meeting

- (1) Every company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it; and not more than 15 months shall elapse between the date of one annual general meeting of a company and that of the next.

Provided that -

- (a) so long as a company holds its first annual general meeting within 18 months of its incorporation it needs not hold it in that year or in the following year;
 - (b) except for the first annual general meeting, the Commission shall have the power to extend the time within which any annual general meeting shall be held, by a period not exceeding 3 months;
- (2) If default is made in holding a meeting of a company in accordance with subsection (1) of this section, the Commission may, on the application of any member of the

company, call or direct the calling of, a general meeting of the company and give such ancillary or consequential directions as the Commission thinks expedient, including directions modifying or supplementing, in relation to the calling, holding and conducting of the meeting the operation of the company's articles; and it is hereby declared that the directions that may be given under this subsection shall include a direction that one member of the company present in person or by proxy may apply to the court for an order to take a decision which shall bind all the members.

- (3) A general meeting held in pursuance of subsection (2) of this section shall, subject to any directions of the Commission, be deemed to be an annual general meeting of the company; but, where a meeting so held is not held in the year in which the default in holding the company's annual general meeting occurred, the meeting so held shall not be treated as the annual general meeting for the year in which it is held unless at that meeting the company resolves that it shall be so treated.
- (4) Where a company resolves that a meeting shall be treated as its annual general meeting, a copy of the resolution shall, within 15 days after the passing thereof, be filed with the Commission.
- (5) If default is made in holding a meeting of the company in accordance with subsection (1) of this section, or in complying with any directions of the Commission under subsection (2) thereof, the company and every officer of the company who is in default shall be guilty of an offence and be liable to a fine of ₦500 and if default is made in complying with subsection (4) of this section, the company and every officer of the company who is in default shall be liable to a fine of ₦25.

Businesses Transacted at Annual General Meeting.

All businesses transacted at annual general meeting, shall be deemed special businesses except declaring a dividend, the presentation of the financial statement and the reports of the directors and auditors, the election of the directors in the place of those retiring, the appointment, and the fixing of the remuneration of the auditors, the appointment of the members of the audit committee and the choice of venue of the next Annual General Meeting which shall be ordinary business.

Extraordinary General Meeting.

Extraordinary General Meetings.

215.

- (1) The Board of directors may convene an extraordinary general meeting whenever they deem fit, and if at any time there are not within Nigeria sufficient directors capable of acting to form a quorum, any director may convene an extraordinary general meeting.
- (2) An extraordinary general meeting of a company may be requisitioned by any member or members of the company holding at the date of the requisition not less than one-tenth of the paid up capital of the company as at the date of the deposit carrying the right of voting, or in the case of a company not having a share capital, members of the company representing not less than one-tenth of the total voting rights of all the members having at the said date a right to vote at general meetings of the company, and the directors shall on receipt of the requisition forthwith proceed duly to convene an extraordinary general meeting of the company,

notwithstanding anything in its articles.

(3) The requisition shall state the objects of the meeting, and be signed by the requisitionists and deposited at the registered office of the company, and the requisition may consist of several documents in like form each signed by one or more requisitionists.

(4) If the directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any one or more of them representing more than one-half of the total voting rights of all of them, may themselves convene a meeting:

Provided that any meeting so convened shall not be held after the expiration of 3 months from that date.

(5) A meeting convened under this section by a requisitionist or requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by directors.

(6) Any reasonable expenses incurred by the requisitionist or requisitionists by reason of the failure of the directors duly to convene a meeting shall be repaid to the requisitionists by the company, and any sum so repaid shall be retained by the company out of any sums due or to become due from the company by way of fees or other remuneration in respect of their services to such of the directors as were in default.

(7) For the purpose of this section the directors shall, in the case of a meeting at which a resolution is to be proposed as a special resolution, be deemed not to have duly convened the meeting if they do not give such notice as is required by section 217 of this Decree.

(8) All businesses transacted at an extraordinary general meeting shall be deemed special.

Place of meeting	216	All statutory and annual general meetings shall be held in Nigeria.
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Notice of Meetings.

Length of notice for calling meetings	217	(1) The notice required for all types of general meetings from the commencement of this Decree shall be 21 days from the date on which the notice was sent out. (2) A general meeting of a company shall, notwithstanding that it is called by a shorter notice than that specified in subsection (1) of this section, be deemed to have been duly called if it is so agreed in the case of - (a) a meeting called as the annual general meeting, by all the members entitled to attend and vote there at; and (b) any other general meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 percent in nominal value of the shares giving a right to attend and vote at the meeting or, in the case of a company not having a share capital, together representing not less than 95 percent of the total
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voting rights at that meeting of all the members.

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| Contents of notice. | 218. | <p>(1) The notice of a meeting shall specify the place, date and time of the meeting, and the general nature of the business to be transacted thereat in sufficient detail to enable those to whom it is given to decide whether to attend or not, and where the meeting is to consider a special resolution shall set out the terms of the resolution.</p> <p>(2) In the case of notice of an annual general meeting a statement that the purpose is to transact the ordinary business of an annual general meeting shall be deemed to be a sufficient specification that the business is for the declaration of dividends, presentation of the financial statements, reports of the directors and auditors, the election of directors in the place of those retiring, the fixing of the remuneration of the auditors and, if the requirements of sections 362 and 363 of this Decree are duly complied with, the removal and election of auditors and directors.</p> <p>(3) No business may be transacted at any general meeting unless notice of it has been duly given.</p> <p>(4) In every case in which a member is entitled, pursuant to section 230 of this Decree, to appoint a proxy to attend and vote instead of him, the notice shall contain with reasonable prominence, a statement that the member has the right to appoint a proxy to attend and vote instead of him and that the proxy need not be a member of the company, and if default is made in complying with this subsection as respects any meeting, every officer of the company who is in default shall be guilty of an offence and liable to a fine not exceeding ₦500.</p> <p>(5) An error or omission in a notice with respect to the place, date, time or general nature of the business of a meeting shall not invalidate the meeting, unless the officer of the company responsible for the error or omission acted in bad faith or failed to exercise due care and diligence:</p> <p style="padding-left: 40px;">Provided that in the case of accidental error or omission, the officer responsible shall effect the necessary correction either before or during the meeting</p> |
| Persons entitled to notice. | 219. | <p>(1) The following persons shall be entitled to receive notice of a general meeting -</p> <ul style="list-style-type: none"> (a) every member; (b) every person upon whom the ownership of a share devolves by reason of his being a legal representative, receiver or a trustee in bankruptcy of a member; (c) every director of the company; (d) every auditor for the time being of the company; and (e) the secretary. <p>(2) No other person shall be entitled to receive notices of general meetings.</p> |
| Service of notice. | 220. | <p>(1) A notice may be given by the company to any member either personally or by sending it by post to him or to his registered address, or (if he has no registered</p> |

address within Nigeria) to the address, if any supplied by him to the company for the giving of notice to him.

- (2) Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, prepaying, and posting a letter containing the notice, and to have been effected in the case of a place of a meeting at the expiration of 7 days after the letter containing the same is posted, and in any other case at the time at which the letter would be delivered in the ordinary course of post.
- (3) A notice may be given by the company to the joint holders of a share by giving the notice to the joint holder first named in the register of members in respect of the share.
- (4) A notice may be given by the company to the persons entitled to a share in consequence of the death or bankruptcy of a member by sending it through the post in a prepaid letter addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt, or by any like description, at the address, if any within Nigeria supplied for the purpose by the person claiming to be so entitled, or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.
- (5) "Registered address" means, in the case of a member, any address supplied by him to the company for the giving of notice to him.

Failure to
give notice.

221. (1) Failure to give notice of any meeting to a person entitled to receive it shall invalidate the meeting unless such failure is an accidental omission on the part of the person or persons giving the notice.
- (2) Failure to give notice to a person entitled to it due to a misrepresentation or misinterpretation of the provisions of this Decree, or of the articles shall not amount to an accidental omission for the purposes of the foregoing subsection.

Additional
notice.

222. In addition to the notice required to be given to those entitled to receive it in accordance with the provisions of this Decree, every public company shall, at least 21 days before any general meeting, advertise a notice of such meeting in at least two daily newspapers.

Power of
court to
order meetings.

223. (1) If for any reason it is impracticable to call a meeting of a company or of the board of directors in any manner in which meetings of that company or board may be called, or to conduct the meeting of the company or board in the manner prescribed by the articles or this Decree, the court may, either of its own motion or on the application of any director of the company or of any member of the company who would be entitled to vote at the meeting, in the case of the meeting of the company, and of any director of the company, in case of the meeting of the board, order a meeting of the company or board, as the case may be, to be called, held and conducted in such manner as the court thinks fit, and where any such order is made may give such ancillary or consequential directions as it thinks expedient.
- (2) It is hereby declared that the directions that may be given under subsection (1) of this section shall include a direction that one member of the company present in person or by proxy in the case of a meeting of the company and one director in the case of the Board may apply to the court for an order to take a decision which shall bind all the members.
- (3) Any meeting called, held and conducted in accordance with an order under

subsection (1) of this section, shall for all purposes be deemed to be a meeting of the company or of the board of directors duly called, held and conducted.

Voting.

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| Proceedure of voting. | 224. | <p>(1) At any general meeting, a resolution put to the vote shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by -</p> <ul style="list-style-type: none"> (a) the Chairman, where he is a shareholder of a proxy; (b) at least 3 members present in person or by proxy; (c) any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or (d) a member or members holding shares in the company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right. <p>(2) Unless a poll is so demanded, a declaration by the chairman that a resolution has on a show of hands been carried or carried unanimously or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of, or against, the resolution.</p> |
| Right to demand poll. | 225. | <p>(1) Any provision contained in a company's articles shall be void in so far as it would have the effect either of -</p> <ul style="list-style-type: none"> (a) excluding the right to demand a poll at a general meeting on any question other than the election of the chairman of the meeting or the adjournment of the meeting; or (b) making ineffective a demand for a poll on any such question which is made by any of the persons mentioned in section 224 of this Decree. <p>(2) The instrument appointing a proxy to vote at a meeting of a company shall be deemed also to confer authority to demand or join in demanding a poll, and for the purposes of subsection (1) of this section, demand by a person as proxy for a member shall be the same as a demand by the member.</p> <p>(3) Notwithstanding section 224 of this Decree and subsection (1) and (2) of this section, there shall be no right to demand a poll on the election of members of the Audit Committee under section 359 of this Decree.</p> |
| Voting on a poll. | 226. | <p>(1) On a poll taken at a meeting of a company, or a meeting of any class of members of a company, a member entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.</p> <p>(2) Except as provided in subsection (4) of this section, if a poll is duly demanded, it shall be taken in such manner as the Chairman directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.</p> |

- (3) In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a second or casting vote.
- (4) A poll demanded on the election of a chairman or on a question of adjournment shall be taken forthwith, and on any other question shall be taken at such time as the chairman of the meeting directs, and any business other than that upon which a poll has been demanded may be proceeded with pending the taking of the poll.
- Rights of attendance at general meeting. 227. (1) Subject to section 228 of this Decree, every member shall have a right to attend any general meeting of the company in accordance with the provisions of section 81 of this Decree.
- (2) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the register of members.
- (3) A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee, receiver, curator bonis, or other person in the nature of a committee, receiver or curator bonis appointed by that court, and any such committee, receiver, curator bonis or other person may vote by proxy.
- Attendance at meetings. 228. Every person who is entitled to receive notice of a general meeting of the company as provided by section 219 of this Decree shall be entitled to attend such a meeting.
- Objections as to qualification to vote. 229. No objections shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes and any such objection made in due time shall be referred to the chairman of the meeting, whose decision shall be final and conclusive.
- Proxies. 230. (1) Any member of a company entitled to attend and vote at a meeting of the company shall be entitled to appoint another person (whether a member or not) as his proxy to attend and vote instead of him, and a proxy appointment to attend and vote instead of a member shall also have the same right as the member to speak at the meeting.
- Provided that, unless the articles otherwise provide, this section shall not apply in the case of a company not having a share capital.
- (2) In every notice calling a meeting of a company having a share capital, there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint a proxy or, where that is allowed, two or more proxies, to attend and vote instead of him, and that a proxy need not be a member and if default is made in complying with this subsection as respects any meeting, every officer of the company who is in default shall be guilty of an offence and liable to a fine of ₦250.
- (3) Any provision contained in a company's articles shall be void in so far as it would have the effect of requiring the instrument appointing a proxy or any other document necessary to show the validity of or otherwise relating to the appointment of a

proxy, to be received by the company or any other person more than 48 hours before a meeting or adjourned meeting in order that the appointment may be effective at the meeting.

- (4) If for the purpose of any meeting of a company, invitations to appoint as proxy a person or one of a number of persons specified in the invitations are issued at the company's expense to some only of the members entitled to be sent notice of the meeting and to vote by proxy at the meeting, every officer of the company who knowingly and wilfully authorises or permits their issue as aforesaid shall be guilty of an offence and liable to a fine of ₦500:

Provided that an officer shall not be liable under this subsection by reason only of the issue to a member at his request in writing of a form of appointment naming the proxy or of a list of persons willing to act as proxy if the form or list is available on request in writing to every member entitled to vote at the meeting by proxy.

- (5) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given:

Provided that no intimation in writing of such death, insanity, revocation or transfer as aforesaid has been received by the company before the commencement of the meeting or adjourned meeting at which the proxy is used.

- (6) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal, or under the hand of an officer or attorney duly authorised.
- (7) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority shall be deposited at the registered office or head office of the company or at such other place within Nigeria as is specified for that purpose in the notice convening the meeting, not less than 48 hours before the time for holding the meeting or adjourned meeting, at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll; and in default, the instrument of proxy shall not be treated as valid.
- (8) This section shall apply to meetings of any class of members of a company as it applies to general meetings of the company.

Corporation
representation
at meetings of
companies etc

231

- (1) A corporation, whether a company within the meaning of this Decree or not, may if it is -
- (a) a member of another corporation, being a company within the meaning of this Decree, by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the company or at any meeting of any class of members of the company;
- (b) a creditor (including a holder of debentures) of another corporation, being a company within the meaning of this Decree, by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of any creditors of the company held in pursuance of this Decree or of any rules made thereunder, or in pursuance

of the provisions contained in any debenture or trust deed, as the case may be.

- (2) A person authorised as provided in subsection (1) of this section, shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation might exercise if it were an individual shareholder, creditor or holder of debentures of that other company.

- Quorum. 232. (1) Unless otherwise provided in the articles, no business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business and throughout the meeting.
- (2) Unless otherwise provided in the articles, the quorum for the meeting of a company shall be one-third of the total number of members of the company or 25 members (whichever is less) present in person or by proxy: Provided that where the number of members is not a multiple of three, then the number nearest to one-third, and where the number of members is 6 or less, the quorum shall be two members.
- (3) For the purpose of determining a quorum, all members or their proxies shall be counted.
- (4) Where a member or members withdraw from the meeting for what appears to the chairman to be insufficient reasons and for the purpose of reducing the quorum, and in fact the quorum is no longer present, the meeting may continue with the number present, and their decision shall bind all the shareholders and where there is only one member, he may seek direction of the Court to take a decision.
- (5) Where there is a quorum at the beginning, but no quorum later due to some shareholders leaving for what appears to the chairman to be sufficient reasons, the meeting shall be adjourned to the same place, and time, in a week's time, and if there is no quorum still at the adjourned meeting, the members present shall then be the quorum and their decision shall bind all shareholders and where only one member is present, he may seek direction of the Court to take a decision.

Resolutions.

- Resolutions. 233. (1) A resolution shall be an ordinary resolution when it has been passed by a simple majority of votes cast by such members of the company as, being entitled to do so, vote in person or by proxy at a general meeting.
- (2) A resolution shall be a special resolution when it has been passed by not less than three-fourths of the votes cast by such members of the company as, being entitled to do so, vote in person or by proxy at a general meeting of which 21 days notice, specifying the intention to propose the resolution as a special resolution, has been duly given:
- Provided that, if it is so agreed by majority in number of the members having the right to attend and vote at any such meeting, being a majority together holding not less than 95 percent in nominal value of the shares giving that right or, in the case of a company not having a share capital, together representing not less than 95 percent of the total voting rights at that meeting of all the members, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 days' notice has been given.
- (3) At any meeting at which a special resolution is submitted to be passed, a declaration

of the chairman that the resolution is carried shall, unless a poll is demanded, be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.

- (4) In computing the majority of a poll demanded on the question that a special resolution be passed, reference shall be had to the number of votes cast for and against the resolution.
- (5) For the purposes of this section, notice of a meeting shall be deemed to be duly given and the meeting to be duly held when the notice is given and the meeting held in the manner provided by this Decree or the articles.
- (6) A company may, by its articles provide that any matter not required by the articles or by this Decree to be passed by a special resolution shall be passed by an ordinary resolution.

Written
resolution.

234.

All resolutions shall be passed at general meetings and shall not be effective unless so passed:

Provided that in the case of a private company a written resolution signed by all the members entitled to attend and vote shall be as valid and effective as if passed in a general meeting.

Circulation
of members'
resolutions.

235.

- (1) Subject to the following provisions of this section, it shall be the duty of a company, on the requisition in writing of such number of members as is hereinafter specified and (unless the company otherwise resolves) at the expence of the company to -
 - (a) give to members of the company entitled to receive notice of the next annual general meeting notice of any resolution submitted by a member which may properly be moved and is intended to be moved at that meeting;
 - (b) circulate to members entitled to have notice of any general meeting sent to them; any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting, and where the statements has more than 1,000 words to circulate a summary of it.
- (2) The number of members necessary for a requisition under subsection (1) of this section shall be -
 - (a) any one or more members representing not less than one twentieth of the total voting rights of all the members having at the date of the requisition a right to vote at the meeting to which the requisition relates; or
 - (b) not less than one hundred members holding shares in the company on which there has been paid up an average sum, per member, or not less than =N=500.
- (3) Notice of any such resolution shall be given, and any such statement shall be circulated, to members of the company entitled to have notice of the meeting sent to them by serving a copy of the resolution or statement on each such member in any manner permitted for service of notice of the meeting, and notice of any such resolution shall be given to any other member of the company by giving notice of

the general effect of the resolution in any manner permitted for giving notice of meetings of the company:

Provided that the copy shall be served, or notice of the effect of the resolution shall be given, as the case may be, in the same manner and so far as practicable, at the same time as notice of the meeting and, where it is not practicable for it to be served or given at that time, it shall be served or given as soon as practicable thereafter.

(4) A company shall not be bound under this section to give notice of any resolution or to circulate any statement unless -

(a) a copy of the requisition signed by the requisitionists (or two or more copies which between them contain the signatures of all the requisitionists) is deposited at the registered office of the company -

(i) in the case of a requisition requiring notice of a resolution, not less than 6 weeks before the meeting; and

(ii) in the case of any other requisition, not less than one week before the meeting; and

(b) there is deposited or tendered with the requisition, a sum reasonably sufficient to meet the company's expenses in giving effect thereto:

Provided that if, after a copy of a requisition requiring notice of a resolution has been deposited at the registered office of the company, an annual general meeting is called for a date 6 weeks or less after the copy has been deposited, the copy though not deposited within the time required by this subsection shall be deemed to have been properly deposited for the purposes thereof.

(5) The company shall also not be bound under this section to circulate any statement if, on the application either of the company or of any other person who claims to be aggrieved, the Court is satisfied that the rights conferred by this section are being abused to secure needless publicity for defamatory matter; and the Court may order the company's costs on an application under this section to be paid in whole or in part by the requisitionist, notwithstanding that the requisitionist is not party to the application.

(6) Notwithstanding anything in the company's articles, the business which may be dealt with at an annual general meeting shall include any resolution of which notice is given in accordance with this section and for the purposes of this subsection, notice shall be deemed to have been so given, notwithstanding the accidental omission, in giving it to one or more members.

(7) In the event of any default in complying with the provisions of this section, every officer of the company who is in default shall be guilty of an offence and liable to a fine of ₦500.

Resolutions
requiring
special notice.

236.

Where by any provision contained in this Decree, special notice is required of a resolution, the resolution shall not be effective unless notice of the intention to move it has been given to the company not less than 28 days before the meeting at which it is to be moved, and the company shall give its members notice of any such

resolution at the same time and in the same manner as it gives notice of the meeting or, if that is not practicable, shall give them notice thereof, either be advertisement in a newspaper having an appropriate circulation or in any other mode allowed by the articles, not less than 21 days before the meeting:

Provided that if, after notice of the intention to move such a resolution has been given to the company, a meeting is called for a date 28 days or less after the notice has been given, the notice though not given within the time required by this section shall be deemed to have been properly given for purposes thereof.

Registration
and copies of
certain
resolutions

237. (1) Subject to subsection (7) (b) of section 46 of this Decree, a printed copy of every resolution or agreement to which this section applies shall, within 15 days after the passing or making of the resolution or agreement as the case may be, be forwarded to the Commission.
- (2) Where pursuant to the provisions of sections 44 to 47 of this Decree a company by special resolution alters the provisions of its memorandum and the Commission is satisfied that the alteration is not in compliance with the applicable provisions of those sections, it may refuse to file a copy of the resolution in its records and shall notify the company accordingly and any person aggrieved by the refusal may appeal to the Court within 21 days from the receipt of the notification.
- (3) A copy of every such resolution or agreement for the time being in force shall be embodied in or annexed to every copy of the articles issued after the passing of the resolution or the making of the agreement.
- (4) This section shall apply to -
- (a) special resolution;
 - (b) resolutions which have been agreed to by all the members of a company, but which, if not so agreed to, would not have been effective for their purpose, unless, as the case may be, they had been passed as special resolution; or
 - (c) resolutions or agreements which have been agreed to by all the members of any class of shareholders but which, if not so agreed to, would not have been effective for their purpose, unless they had been passed by some particular majority or otherwise in some particular manner, and all resolutions or agreements which effectively bind all the members of any class of shareholders though not agreed to by all those members; and
 - (d) resolution requiring a company to be wound up voluntarily, passed under paragraph (a) of section 457 of this Decree.
- (5) If a company fails to comply with subsection (1) of this section, the company and every officer of the company who is in default shall be guilty of an offence and liable to a fine of ₦50.
- (6) If a company fails to comply with subsection (3) of this section, the company and every officer of the company who is in default shall be guilty of an offence and liable to a fine of ₦5 for each copy in respect of which default is made.
- (7) For the purposes of subsections (5) and (6) of this section, a liquidator of the company shall be deemed to be an officer of the company.

Effect of
resolutions
passed at
adjourned
meetings.

238.

Where a resolution is passed at an adjourned meeting of -

- (a) a company;
- (b) the holders of any class of shares in a company; or
- (c) the directors of a company;

The resolution shall for all purposes be treated as having been passed on the date on which it was in fact passed, and shall not be deemed to have been passed on any earlier date.

Miscellaneous Matters Relating to Meetings and Proceedings.

Adjournment.

239.

- (1) The Chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
- (2) When a meeting is adjourned for 30 days or more, notice of the adjourned meeting shall be given as in the case of an original meeting; but otherwise it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
- (3) If within one hour from the time appointed for the meeting a quorum is not present, the meeting if convened upon the requisition of members shall be dissolved, but in any other case, it shall stand adjourned to the same day in the next week, at the same time and place or to such other day and at such other time and place as the chairman and in his absence, the directors may direct.
- (4) If a meeting stands adjourned under subsection (3) of this section, any two or more members present at the place and time to which it so stands adjourned shall form a quorum and their decision shall bind all shareholders, and where only one member is present, he may seek the direction of the court to take a decision.

Powers and
duties of the
Chairman of
the general
meeting.

240.

- (1) The chairman, if any, of the board of directors shall preside as chairman at every general meeting of the company, or if there is no such chairman, or if he is not present within one hour after the time appointed for the holding of the meeting or is unwilling to act, the directors present shall elect one of their number to be chairman of the meeting.
- (2) If at any meeting no director is willing to act as chairman or if no director is present within one hour after the time appointed for holding of the meeting the members present shall choose one of their number to be chairman of the meeting.
- (3) The duties and powers of the chairman shall include a duty to -
 - (a) preserve order and power to take such measures as are reasonably necessary to do so;
 - (b) see that proceedings are conducted in a regular manner;
 - (c) ensure that the true intention of the meeting is carried out in resolving any

issue that arises before it;

- (d) ensure that all questions that arise are promptly decided; and
- (e) act bona fide in the interest of the company.

- (4) The chairman shall cast his vote bona fide in the interest of the company as a whole, provided that if he is also a shareholder, he may cast it in his own interest.
- (5) The chairman shall have power to adjourn a meeting in accordance with section 239 (1) of this Decree.

Minutes of
proceedings
and effect.

241.

- (1) Every company shall -
 - (a) cause minutes of all proceedings of general meetings;
 - (b) all proceedings at meetings of its directors; and
 - (c) where there are managers, all proceedings at meetings of its managers, to be entered in books kept for that purpose.
- (2) Any such minute if purporting to be signed by the chairman of the meeting at which the proceedings were held, or by the chairman of the next succeeding meeting, shall be prima facie evidence of the proceedings.
- (3) Where minutes have been made, in accordance with the provisions of this section, of the proceedings at any general meeting of the company or meeting of directors or managers, then, until the contrary is proved, the meeting shall be deemed to have been duly held and convened, and all proceedings had at the meeting to have been duly had, and all appointments of directors, managers or liquidators shall be deemed to be valid.
- (4) If a company fails to comply with the provisions of subsection (1) of this section, the company and every officer of the company who is in default shall be guilty of an offence and liable to a fine of ₦500.

Inspection of
minute books
and copies.

242.

- (1) The books containing the minutes of proceedings of any general meeting of a company held on or after the commencement of this Decree, shall be kept at the registered office of the company, and shall during business hours (subject to such reasonable restrictions as the company may by its articles or in general meeting impose, but so that no less than 6 hours in each day be allowed for inspection) be open to inspection by members without charge.
- (2) Any member shall be entitled to be furnished within 7 days after receipt of his request in that behalf to the company, with a copy of any such minutes certified by the Secretary at a charge not exceeding 10 kobo for every hundred words.
- (3) If any inspection required under this section is refused or if any copy required under this section is not sent within the proper time, the company and every officer of the company who is in default shall be guilty of an offence and liable in respect of each offence to a fine of ₦25.
- (4) In the case of any such refusal or default, the court may by order compel an immediate inspection of the books in respect of all proceedings of general meetings, or direct that the copies required shall be sent to the persons requiring them.

- Class meetings. 243. The provisions of the foregoing sections shall apply to any class meetings except where expressly excluded by this Decree.

PART IX - DIRECTORS AND SECRETARIES OF THE COMPANY

CHAPTER 1 - DIRECTORS

Meaning of Directors.

- Meaning of Directors. 244. (1) Directors of a company registered under this Decree are persons duly appointed by the company to direct and manage the business of the company.
- (2) In favour of any person dealing with the company there shall be a rebuttable presumption that all persons who are described by the company as directors, whether as executive or otherwise, have been duly appointed.
- (3) Where a person not duly appointed acts or holds himself out as a director, he shall be guilty of an offence, and on conviction shall be liable to imprisonment for 2 years or to a fine of =N=100 for each day he so acts or holds out himself as a director, or to both such imprisonment or fine and shall be restrained by the company.
- (4) If it is the company that holds him out as a director, it shall be liable to a fine of =N=1,000 each day it holds him out, and he and the company may be restrained by any member from so acting unless or until he is duly appointed.

- Shadow director. 245. (1) Without prejudice to the provisions of sections 244 and 250, and for the purposes of sections 253, 275 and 281 of this Decree, "director" shall include any person on whose instructions and directions the directors are accustomed to act.
- (2) Subject to sections 275, 280 and 281 of this Decree, nothing contained in section 250 of this Decree shall be deemed to derogate from the duties or liabilities of the duly appointed directors.
- (3) For the avoidance of doubt, the fact that a person in his professional capacity gives advice and a director acts on it shall not be construed to make such a person under this Decree person in accordance with whose directions or instructions the director of a company is accustomed to act.

Appointment of Directors.

- Number of directors. 246. (1) Every company registered on or after the commencement of this Decree shall have at least two directors and every company registered before that date shall before the expiration of 6 months from the commencement of this Decree have at least two directors.
- (2) Any company whose number of directors falls below two, shall within one month of its so falling appoint new directors and shall not carry on business after the expiration of one month, unless such new directors are appointed.
- (3) A director or member of a company who knows that a company carries on business after the number of directors has fallen below two for more than 60 days shall be liable for all liabilities and debts incurred by the company during that period when the company so carried on business.

Appointment of first directors.	247.		Subject to section 246 of this Decree, the number of directors and the names of the first directors shall be determined in writing by the subscribers of the memorandum of association or a majority of them or the directors may be named in the articles.
Subsequent appointments of directors.	248.	(1)	The members at the annual general meeting shall have power to re-elect or reject directors and appoint new ones.
		(2)	In the event of all the directors and shareholders dying, any of the personal representatives shall be able to apply to the Court for an order to convene a meeting of all personal representatives of the shareholders entitled to attend and vote at a general meeting to appoint new directors to manage the company, and if they fail to convene a meeting, the creditors, if any, shall be able to do so.
Casual vacancy.	249.	(1)	The board of directors shall have power to appoint new directors to fill any casual vacancy arising out of death, resignation, retirement or removal.
		(2)	Where a casual vacancy is filled by the directors, the person may be approved by the general meeting at the next annual general meeting, and if not so approved, he shall forthwith cease to be a director.
		(3)	The directors may increase the number of directors so long as it does not exceed the maximum allowed by the articles, but the general meeting shall have power to increase or reduce the number of directors generally and may determine in what rotation the directors shall retire.
			Provided that such reduction shall not invalidate any prior act of the removed director.
Liability of a person where not duly appointed.	250.		Where a person not duly appointed as a director acts as such on behalf of the company, his act shall not bind the company and he shall be personally liable for such action:
			Provided that where it is the company which holds him out as director, the company shall be bound by his acts.
Share qualification of directors.	251.	(1)	The shareholding qualification for directors may be fixed by the articles of association of the company and unless and until so fixed no shareholding qualification shall be required.
		(2)	It shall be the duty of every director who is by the articles of the company required to hold specified share qualification, and who is not already so qualified to obtain his qualification within 2 months after his appointment.
		(3)	The office of director of a company shall be vacated if the director does not within 2 months from the date of his appointment, obtain his qualification or after the expiration of the said period, he ceases at any time to hold his shareholding qualification.
		(4)	A person vacating office under this section shall be incapable of being re-appointed director of the company until he has obtained his shareholding qualification.
		(5)	If after the expiration of the said period, any unqualified person acts as a director of the company, he shall be liable to a fine of ₦50 for every day between the expiration of the said period or the day on which he ceased to be qualified, as the

case may be, and the last day on which it is proved that he acted as a director.

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| Duty of directors to disclose age to the company. | 252. | <p>(1) Any person who is appointed or to his knowledge proposed to be appointed director of a public company and who is 70 or more years old shall disclose this fact to the members at the general meeting.</p> <p>(2) Any person who fails to disclose his age as required under this section shall be guilty of an offence and liable to a fine of =N=500.</p> |
| Provisions as to insolvent persons acting as directors. | 253. | <p>(1) If any person, being an insolvent person acts as director of or directly or indirectly takes part in or is concerned in the management of any company, he shall be guilty of an offence and liable on conviction to a fine of =N=500, or to imprisonment for a term not less than 6 months or more than two years, or both.</p> <p>(2) In this section, "company" includes unregistered company.</p> |
| Restraint of fraudulent persons. | 254. | <p>(1) Where -</p> <p style="padding-left: 20px;">(a) a person is convicted by a High Court of any offence in connection with the promotion, formation or management of a company; or</p> <p style="padding-left: 20px;">(b) in the course of winding up a company it appears that a person -</p> <p style="padding-left: 40px;">(i) has been guilty of any offence for which he is liable (whether he has been convicted or not) under section 507 of this Decree; or</p> <p style="padding-left: 40px;">(ii) has otherwise been guilty, while an officer of the company, or any fraud in relation to the company or any breach of his duty to the company; the Court shall make an order that that person shall not be a director of or in any way, whether directly or indirectly, be concerned or take part in the management of a company for a specified period not exceeding 10 years.</p> <p>(2) In the foregoing subsection, the High Court and the court where used in relation to the making of an order against any person by virtue of paragraph (a) of subsection (1) of this section, include the court before which he is convicted, as well as any court having jurisdiction to wind up the company, and in relation to the granting of leave means any court having jurisdiction to wind up the company as respects which leave is sought.</p> <p>(3) A person intending to apply for the making of an order under this section by the Court having jurisdiction to wind up a company shall give not less than 10 days notice of his intention to the person against whom the order is sought, and on the hearing of the application, the last mentioned person may appear and himself give evidence or call witnesses.</p> <p>(4) An application for the making of an order under this section by the court having jurisdiction to wind up a company may be made by the official receiver, or by the liquidator of the company or by any person who is or has been a member or creditor of the company; and on hearing of any application for an order under this section by the official receiver or the liquidator, or of any application for leave under this section by a person against whom an order has been made on the application of the official receiver or liquidator, the official receiver or liquidator shall appear and call the attention of the court to any matters which seem to him to be relevant, and may himself give evidence or call witnesses.</p> |

- (5) An order may be made by virtue of paragraph (b) (ii) of subsection (1) of this section, notwithstanding that the person concerned may be criminally liable in respect of the matters on the ground of which the order is to be made and for the purposes of the said paragraph (b)(ii) "officer" includes any person in accordance with whose directions or instructions the directors of the company have been accustomed to act.
- (6) If any person acts in contravention of an order made under this section, he shall be guilty of an offence and in respect of each offence, be liable on conviction to a fine of ₦500 or to imprisonment for a term of not less than 6 months or more than two years, or both.
- Appointment of director for life. 255. A person may be appointed a director for life provided that he shall be removable under section 262 of this Decree.
- Right to appoint a director at any age. 256. Subject to the provisions of this Decree, a person may be appointed a director of a public company notwithstanding that he is 70 years or more of age but special notice shall be required of any resolution appointing or approving the appointment of such a director for the purposes of this section, and the notice given to the company and by the company to its members shall state the age of the person to whom it relates.
- Disqualification for directorship. 257. The following persons shall be disqualified from being directors -
- (a) an infant, that is, a person under the age of 18 years;
 - (b) a lunatic or person of unsound mind;
 - (c) a person disqualified under sections 253, 254 and 258 of this Decree;
 - (d) a corporation other than its representative appointed to the board for a given term.
- Vacation of office of director. 258. (1) The office of director shall be vacated if the director -
- (a) ceases to be a director by virtue of section 251 of this Decree; or
 - (b) becomes bankrupt or makes any arrangement or composition with his creditors generally; or
 - (c) becomes prohibited from being a director by reason of any order made under section 254 of this Decree; or
 - (d) becomes of unsound mind; or
 - (e) resigns his office by notice in writing to the company.
- (2) Where a director presents himself for a re-election, a record of his attendance at the meetings of the board during the preceding one year shall be made available to members at the general meeting where he is to be re-elected.
- Rotation of directors. 259. (1) Unless the articles otherwise provide, at the first annual general meeting of the company, all the directors shall retire from office, and at the annual general meeting

in very subsequent year one-third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest one-third shall retire from office.

- (2) The directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.
- (3) The company at the meeting at which a director retires in the manner mentioned in subsections (1) and (2) of this section, may fill the vacated office by electing a person to that office and in default the retiring director shall, if offering himself for re-election, be deemed to have been re-elected, unless at such meeting it is expressly resolved not to fill such vacated office or unless a resolution for the re-election of such director shall have been put to the meeting and lost.
- (4) No person other than a director retiring at the meeting shall unless recommended by the directors, be eligible for election to the office of director at any general meeting unless not less than 3 nor more than 21 days before the date appointed for the meeting there shall have been left at the registered office or head office of the company notice in writing, signed by a member duly qualified to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election, and also notice in writing signed by that person of his willingness to be elected.

Validity of
acts of
directors. 260.

The acts of a director, manager, or secretary shall be valid notwithstanding any defect that may afterwards be discovered in his appointment or qualification.

Mode of voting
on appointment
of directors. 261.

- (1) At a general meeting of a company other than a private company, a motion for the appointment of two or more persons as directors of the company by a single resolution shall not be made, unless resolution that it shall be so made has first been agreed to by the meeting without any vote being given against it.
- (2) A resolution moved in contravention of this section shall be void, whether or not its being so moved was objected to at the time:

Provided that -

- (a) this subsection shall not be taken as excluding the operation of section 260 of this Decree; and
- (b) where a resolution so moved is passed, no provision for automatic re-appointment of retiring directors in default of another appointment shall apply.
- (3) For the purposes of this section a motion for approving a person's appointment or for nominating a person for appointment shall be treated as motion for his appointment.
- (4) Nothing in this section shall apply to a resolution altering the company's articles.

Removal of Directors.

- Removal of directors. 262.
- (1) A company may by ordinary resolution remove a director before the expiration of his period of office, notwithstanding anything in its articles or in any agreement between it and him.
- (2) A special notice shall be required of any resolution to remove a director under this section, or to appoint some other person instead of a director so removed, at the meeting at which he is removed, and on receipt of notice of an intended resolution to remove a director under this section, the company shall forthwith send a copy of it to the director concerned, and the director (whether or not he is a member of the company) shall be entitled to be heard on the resolution at the meeting.
- (3) Where notice is given of an intended resolution to remove a director under this section and the director concerned makes with respect to it representations in writing to the company (not exceeding a reasonable length) and requests their notification to members of the company, the company shall, unless the representations are received by it too late for it to do so -
- (a) in any notice of the resolution given to members of the company state the fact of the representations having been made; and
- (b) send a copy of the representations to every member of the company to whom notice of the meeting is sent (whether before or after receipt of the representations by the company); and if a copy of the representations is not sent as required in this section because it is received too late or because of the company's default, the director may (without prejudice to his right to be heard orally) require that the representations shall be read out at the meeting:
- Provided that copies of the representations need not be sent out and the representations need not be read out at the meeting if, on the application either of the company or any other person who claims to be aggrieved, the court is satisfied that the rights conferred by this section are being abused to secure needless publicity for defamatory matter and the court may order the company's costs on an application under this section to be paid in whole or in part by the director, notwithstanding that he is not a party to the application.
- (4) A vacancy created by the removal of a director under this section, if not filled at the meeting at which he is removed, may be filled as a casual vacancy.
- (5) A person appointed director in place of a person removed under this section shall be treated, for the purpose of determining the time at which he or any other director is to retire, as if he had become director on the day on which the person in whose place he is appointed was last appointed a director.
- (6) Nothing in this section shall be taken as depriving a person removed under it of compensation or damages payable to him in respect of the termination of his appointment as a director or of any appointment terminating with that as director, or as derogating from any power to remove a director which may exist apart from this section.

Proceedings of Directors.

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| Proceedings of directors. | 263. | <p>(1) The directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit:</p> <p>Provided that the first meeting of the directors shall be held not later than 6 months after the incorporation of the company.</p> <p>(2) Any question arising at any meeting shall be decided by a majority of votes, and in case of an equality of votes, the chairman shall have a second or casting vote.</p> <p>(3) A director may, and the secretary on the requisition of a director shall, at any time summon a meeting of the directors.</p> <p>(4) The directors may elect a chairman of thier meetings and determine the period for which he is to hold office; but if no such cahirman is elected or if at any meeting the chairman is not present within five minutes after the time appointed for holding the same, the directors present may choose one of their number to be chairman of the meeting.</p> <p>(5) The directors may delegate any of their powers to a managing director or to committees consisting of such member or members of thier body as they think fit and the managing director or any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may be made by the directors.</p> <p>(6) A committee may elect a chairman of its meeting; and if no such chairman is elected, or if at any meeting the chairman is not present within five minutes after the time appointed for holding the same, the members present may choose one of their number to be chairman of the meeting.</p> <p>(7) A committee may meet and adjourn as it thinks proper, and any questions arising shall be determined by a majority of votes of the members present, and in the case of equality of votes the chairman shall have a second or casting vote.</p> <p>(8) A resolution in writing, signed by all the directors for the time being entitled to receive notice of a meeting of the directors, shall be as valid and effectual as if it had been passed at a meeting of the directors duly convened and held.</p> <p>(9) In all the directors' meetings, each director shall be entitled to one vote.</p> |
| Quorum | 264. | <p>(1) Unless the articles otherwise provide, the quorum necessary for the transaction of the business of directors shall be 2 where there are not more than 6 directors, but where there are more than 6 directors, the quorum shall be one third of the number of directors, and where the number of directors is not multiple of three, then the quorum shall be one-third to the nearest number.</p> <p>(2) Where a committee of directors is appointed by the board of directors, the board shall fix its quorum, but where no quorum is fixed, the whole committee shall meet and act by a majority.</p> |
| Failure to have a quorum. | 265. | <p>Where the board is unable to act because a quorum cannot be formed, the general meeting may act in place of the board and where a committee is unable to act because a quorum cannot be formed, the board may act in place of the committee.</p> |

- Notice of meeting. 266. (1) Every director shall be entitled to receive notice of directors' meetings, unless he is disqualified by any reason under the Decree from continuing with the office of director.
- (2) There shall be given 14 days notice in writing to all directors entitled to receive notice unless otherwise provided in the articles.
- (3) Failure to give notice in accordance with subsection (2) of this section shall invalidate the meeting.
- (4) Unless the articles otherwise provide, it shall not be necessary to give notice of a meeting of directors to any director for the time being absent from Nigeria, provided that if he has given an address in Nigeria, the notice shall be sent to such an address.

Remuneration and other payments.

- Remunerations of directors. 267. (1) The remuneration of the directors shall from time to time be determined by the company in general meeting and such remuneration shall be deemed to accrue from day to day.
- (2) The directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the directors or any committee of the directors or general meetings of the company or in connection with the business of the company.
- (3) Where remuneration has been fixed by the articles, it shall be alterable only by a special resolution.
- (4) A company shall not be bound to pay remuneration to directors, but where the company agrees to pay, the directors shall be paid such remuneration out of the fund of the company.
- (5) The amount of remuneration shall be a debt from the company so that if directors take office on the basis of the articles, they shall be able to sue the company on account of the debt or prove it in the liquidation.
- (6) A director who receives more money than he is entitled to, shall be guilty of misfeasance and shall be accountable to the company for such money.
- (7) The remunerations of directors shall be apportionable.
- Remuneration of a managing director. 268. (1) A managing director shall receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another) as the directors may determine.
- (2) Where a managing director is removed for any reason whatsoever under section 262 of this Decree, he shall have a claim for breach of contract if there is any or where a contract could be inferred from the terms of the articles.
- (3) Where he performs some services without a contract, he shall be entitled to payment on a quantum meruit.

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| Prohibition of tax-free payments to directors. | 269. | (1) | It shall not be lawful for a company to pay a director remuneration (whether as director or otherwise) free of income tax, or otherwise calculated by reference to or varying with the amount of his income tax, or at or with the rate or standard rate of income tax, except under a contract which was in force at the commencement of this Decree, and provides expressly, and not by reference to the articles, for payment or remuneration as aforesaid. |
| | | (2) | Any provision contained in a company's articles or in any contract other than such a contract as mentioned in subsection (1) of this section or in any resolution of a company or the resolution of a company's directors for payment to a director of remuneration as mentioned in subsection (1) of this section, shall have effect as if it provided for payment, as a gross sum subject to income tax, of the net sum for which it actually provides. |
| | | (3) | This section shall not apply to remuneration due before this Decree comes into force or in respect of a period before it comes into force. |
| Prohibition of loan to directors in certain circumstances. | 270. | (1) | It shall not be lawful for a company to make a loan to any person who is its director or a director of its holding company, or to enter into any guarantee or provide any security in connection with a loan made to such a person as earlier mentioned by any other person: |
| | | | Provided that nothing in this section shall apply - |
| | | (a) | subject to subsection (2) of this section to anything done to provide any such person as mentioned in this subsection with funds to meet expenditure incurred or to be incurred by him for the purposes of the company or for the purpose of enabling him properly to perform his duties as an officer of the company; or |
| | | (b) | in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, to anything done by the company in the ordinary course of that business. |
| | (2) | Proviso (a) to Subsection (1) of this section shall not authorise the making of any loan, or the entering into any guarantee, or the provision of any security except - | |
| | | (a) | with the prior approval of the company given at a general meeting at which the purposes of the expenditure and the amount of the loan or the extent of the guarantee or security, as the case may be, are disclosed; or |
| | | (b) | on condition that, if the approval of the company is not given as in subsection (1) of this section at or before the next following annual general meeting, the loan shall be repaid or the liability under the guarantee or security shall be discharged as the case may be, within 6 months from the conclusion of that meeting. |
| | (3) | Where the approval of the company is not given as required by any such condition, the directors authorising the making of the loan, or the entering into the guarantee, or the provision of the security, shall be jointly and severally liable to indemnify the company against any loss arising therefrom. | |

Payment by company for loss of office, etc. to be approved.	271		It shall not be lawful for a company to make to any director of the company, any payment by way of compensation for loss of office, or as consideration for or in connection with his retirement from office, unless particulars with respect to the proposed payment and the amount, have been disclosed to members of the company and the proposal is approved by the company.
Payment to directors for loss of office, etc. or transfer of property illegal.	272	(1)	If in connection with the transfer of the whole or any part of the undertaking or property of a company, it is proposed to make any payment to a director of the company by way of compensation for loss of office, or as consideration for or in connection with his retirement from office, the payment shall be unlawful unless particulars with respect to the proposal and the amount, have been disclosed to members of the company and the proposal is approved by the company.
		(2)	Where a payment declared by this section to be illegal is made to a director of a company, the amount received shall be deemed to have been received by him in trust for the company.
Directors to disclose payment for loss of office, etc. in certain cases.	273	(1)	Where, in connection with the transfer to any persons of all or any of the shares in a company, being a transfer resulting from - (a) an offer made to the general body of shareholders; (b) an offer made by or on behalf of some other body corporate with a view to the company becoming its subsidiary or a subsidiary of its holding company; (c) an offer made by or on behalf of an individual with a view to his obtaining the right to exercise or control the exercise of not less than one third of the voting power at any general meeting of the company; or (d) any other offer which is conditional on acceptance to a given extent payment is to be made to a director of the company by way of compensation for loss of office, or as consideration for or in connection with his retirement from office, it shall be the duty of that director to do all things reasonably necessary to secure that particulars with respect to the proposed payment and the amount, are included in or sent with any notice of the offer made for their shares which is given to any shareholders.
		(2)	If - (a) any such director fails to do all things reasonably necessary as mentioned in this section; or (b) any person who has been properly required by any such director to include the said particulars in or send them with any such notice as aforesaid fails so to do; he shall be guilty of an offence and liable to a fine of ₦20.
		(3)	If - (a) the requirements of subsection (1) of this section are not complied with in relation to any such payments as are mentioned there; or (b) the making of the proposed payment is not, before the transfer of any shares in pursuance of the offer, approved by a meeting summoned for the

purpose of the holders of the shares to which the offer relates and of other holders of shares of the same class as any of the said shares; any sum received by the director on account of the payment shall be deemed to have been received by him in trust for any person who has sold his shares as a result of the offer made, and the expenses incurred by him in distributing that sum amongst those persons shall be borne by him and not retained out of that sum.

(4) Where the shareholders referred to in subsection (3)(b) of this section are not all the members of the company and no provision is made by the articles for summoning or regulating such a meeting as is mentioned in that paragraph, the provisions of this Decree and of the company's articles relating to general meetings of the company shall, for that purpose, apply to the meeting either without modification or with such modifications as the Commission on the application of any person concerned may direct for the purpose of adapting them to the circumstances of the meeting.

(5) If at a meeting summoned for the purpose of approving any payment as required by paragraph (b) of subsection (3) of this section, a quorum is not present and, after the meeting has been adjourned to a later date, a quorum is again not present, the payment shall, for the purposes of that subsection be deemed to have been approved

Provisions
supplementary
to sections
271 to 273.

274. (1) Where in proceedings for the recovery of any payment which has been received by any person in trust by virtue of subsections (1) and (2) of section 272 or subsections (1) and (3) of section 273 of this Decree, it is shown that -

(a) the payment was made in pursuance of any arrangement entered into as part of the agreement for the transfer in question, or within one year but before 2 years after that agreement or the offer leading thereto; and

(b) the company or any person to whom the transfer was made was privy to that arrangement; the payment shall be deemed, except in so far as the contrary is shown, to be one to which the subsections apply.

(2) If in connection with any such transfer as is mentioned in sections 272 and 273 of this Decree -

(a) the price to be paid to a director of the company whose office is to be abolished or who is to retire from office for any shares in the company held by him is in excess of the price obtainable at the time by other holders of the like shares; or

(b) any valuable consideration is given to any such director; the excess or the money value of the consideration, as the case may be, shall for the purposes of that section, be deemed to have been a payment made to him by way of compensation for loss of office, or as consideration for or in connection with his retirement from office.

(3) It is hereby declared that references in sections 271 to 273 of this Decree to payments made to any director of a company by way of compensation for loss of office, or as consideration for or in connection with his retirement from office shall not include any bona fide payment by way of damages for breach of contract or by way of pension in respect of past services, and for the purposes of this subsection, "pension" includes any superannuation allowance, superannuation gratuity or similar payment.

- (4) Nothing in section 272 or 273 of this Decree shall be taken to prejudice the operation of any rule of law requiring disclosure to be made with respect to any such payments as are mentioned there, or with respect to any other like payments made, or to be made, to the directors of a company.

Disclosure of Directors Interests.

Register of
directors share-
holding etc.

275. (1) Every company shall keep a register showing as respects each director of the company (not being its holding company) the number, description and amount of any shares in or debentures of the company or any other body corporate, being the company's subsidiary or holding company, or a subsidiary of the company's holding company, which are held by or in trust for him or of which he has any right to become the holder (whether on payment or not):

Provided that the register need not include shares in any body corporate which is the wholly-owned subsidiary of another body corporate, and for this purpose, a body corporate shall be deemed to be the wholly-owned subsidiary of another if it has no members but that other and that other's wholly-owned subsidiaries and its or their nominees.

- (2) Where any shares or debentures fall to be or cease to be recorded in the said register in relation to any director by reason of a transaction entered into after the commencement of this Decree and while he is a director, the register shall also show the date of, and price or other consideration for the transaction:

Provided that where there is an interval between the agreement for any such transaction and the completion thereof, the date shall be that of the agreement.

- (3) The nature and extent of a director's interest or right in or over any shares or debentures recorded in relation to him in the said register shall, if he so requires, be indicated in the register.
- (4) The company shall not by virtue of anything done for the purposes of this section, be affected with notice of, or put upon inquiry as to the rights of any person in relation to any shares or debentures.
- (5) The said register shall, subject to the provisions of this section, be kept at the company's registered or head office and shall be open to inspection during business hours (subject to such reasonable restrictions as the company may by its articles or in general meeting impose, so that not less than two hours in each day be allowed for inspection) as follows-
- (a) during the period beginning 14 days before the date of the company's annual general meeting and ending 3 days after the date of its conclusion, it shall be open to the inspection of any member or holder of debentures of the company; and
- (b) during that or any other period, it shall be open to the inspection of any person acting on behalf of the Commission.
- (6) In computing the 14 days and the 3 days mentioned in subsection (5) of this section, any day which is Saturday or Sunday or a public holiday shall be disregarded.

- (7) Without prejudice to the rights conferred by subsection (5) of this section, the Commission may at any time, request for the production to it of a copy of the register, or any part thereof.
 - (8) The register shall also be produced at the commencement of the company's annual general meeting and remain open and accessible during the continuance of the meeting to any person attending the meeting.
 - (9) If default is made in complying with subsection (1) or (2) of this section, or if any inspection required under this section is refused, or any copy required thereunder is not sent within a reasonable time, the company and every officer of the company who is in default shall be guilty of an offence and liable to a fine of =N=500, and if default is made in complying with subsection (8) of this section, the company and every officer of the company who is in default shall be liable to a fine of =N=50.
 - (10) If any inspection required under this section is refused, the court may, by order, compel an immediate inspection of the register.
 - (11) For the purposes of this section -
 - (a) any person in accordance with whose directions or instructions, the directors of a company are accustomed to act shall be deemed to be a director of the company; and
 - (b) a director of a company shall be deemed to hold or to have any interest or right in or over, any shares or debentures if a permanent representative of the body corporate other than the company holds them or has that interest or right in or over them, and either -
 - (i) that permanent representative is accustomed to act in accordance with his directions or instructions; or
 - (ii) he is entitled to exercise or control the exercise of one-third or more of the voting power at any general meeting of that body corporate.
- General duty to give notice, etc. 276.
- (1) It shall be the duty of any director of a company to give notice to the company of such matters relating to himself as may be necessary for the purposes of sections 275 and 277 of this Decree except so far as it relates to loans made by the company or by any other person under a guarantee from or on a security provided by the company, to an officer thereof.
 - (2) Any such notice given for the purposes of section 275 of this Decree, shall be in writing and if it is not given at a meeting of the directors, the director giving it shall do all things reasonably necessary to secure that it is brought up and read at the next meeting of directors after it is given.
 - (3) Subsection (1) of this section shall, to the extent to which it applies in relation to directors, apply to the like extent for -
 - (a) the purposes of section 277 of this Decree in relation to officers other than directors;
 - (b) the purposes of sections 276 and 277 of this Decree in relation to persons who are or have at any time during the preceding five years been officers of the company.

- (4) Any person who makes default in complying with the foregoing provisions of this section shall be guilty of an offence and liable to a fine of ₦50.
- Disclosure by directors of interest in contracts. 277. (1) Subject to the provisions of this section, it shall be the duty of a director of a company who is in any way whether directly or indirectly, interested in a contract or proposed contract with the company to declare the nature of his interest at a meeting of the directors of the company.
- (2) In the case of a proposed contract, the declaration required by this section to be made by a director shall be made at the meeting of the directors at which the question of entering into the contract is first taken into consideration or if the director was not at the date of that meeting interested in the proposed contract, at the next meeting of the directors held after he became so interested, and in a case where the director becomes interested in a contract after it is made, the said declaration shall be made at the first meeting of the directors held after he becomes so interested.
- (3) For the purpose of this section, a general notice given to the directors of a company by a director to the effect that he is a member of a specified company or firm and is to be regarded as interested in any contract which may, after the date of the notice, be made with that company or firm, shall be deemed to be a sufficient declaration of interest in relation to any contract so made:
- Provided that any such notice shall not have effect, unless it is given at a meeting of the directors or the director does all things reasonably necessary to secure that it is brought up and read at the next meeting of the directors after it is given.
- (4) Any director who fails to comply with the provisions of this section shall be guilty of an offence and liable to a fine of ₦100.
- (5) Nothing in this section shall be taken to prejudice the operation any rule of law restricting directors of a company from having any interest in contracts with the company.
- Particulars with respect to directors in trade catalogues, etc. 278. (1) Every company to which this section applies shall, in all trade catalogues, trade circulars, showcards and business letters on or in which the company's name appears and which are issued or sent by the company to any person in Nigeria state in legible characters with respect to every director the following particulars -
- (a) his present forename, or the initials thereof, and present surname;
- (b) any former forenames and surnames;
- (c) his nationality, if not a Nigerian:
- Provided that, if special circumstances exist which the Commission is of opinion render it expedient that such an exemption should be granted, the Commission may, subject to such conditions as it may prescribe by notice published in the Gazette, exempt a company from the obligations imposed by this subsection.
- (2) This section shall apply to every company incorporated under this Decree, or any enactment repealed by it.
- (3) If a company makes default in complying with this section every officer of the company who is in default shall be guilty of an offence and liable on conviction for

each offence to a fine of ₦50.

Provided that no proceedings shall be instituted under this section except by, or with the consent of the Attorney-General of the Federation.

(4) For the purposes of this section -

- (a) "initials" includes a recognised abbreviation of a forename;
- (b) reference to a former forename or surname in the case of a married woman do not include the name or surname by which she was known previous to the marriage; and
- (c) "showcards" means cards containing or exhibiting articles dealt with, or samples or representations thereof.

Duties of Directors.

Duties of
directors.

279. (1) A director of a company stands in a fiduciary relationship towards the company and shall observe the utmost good faith towards the company in any transaction with it or on its behalf.
- (2) A director shall also owe fiduciary relationship with the company in the following circumstances -
- (a) where a director is acting as agent of a particular shareholder;
 - (b) where even though he is not an agent of any shareholder, such a shareholder or other person is dealing with the company's securities.
- (3) A director shall act at all times in what he believes to be the best interest of the company as a whole so as to preserve its assets, further its business, and promote the purposes for which it was formed, and in such manner as a faithful, diligent, careful and ordinarily skilful director would act in the circumstances.
- (4) The matters to which the director of a company is to have regard in the performance of his functions include the interests of the company's employees in general, as well as the interests of its members.
- (5) A director shall exercise his powers for the purpose for which he is specified and shall not do so for a collateral purpose, and the power, if exercised for the right purpose does not constitute a breach of duty, if it, incidentally, affects a member adversely.
- (6) A director shall not fetter his discretion to vote in a particular way.
- (7) Where a director is allowed to delegate his powers under any provision of this Decree such a director shall not delegate the power in such a way and manner as may amount to an abdication of duty.
- (8) No provision, whether contained in the articles or resolutions of a company, or in any contract shall relieve any director from the duty to act in accordance with this

section or relieve him from any liability incurred as a result of any breach of the duties conferred upon him under this section.

- (9) Any duty imposed on a director under this section shall be enforceable against the director by the company.

Conflicts of
duties and
interests.

280.

- (1) The personal interest of a director shall not conflict with any of his duties as a director under this Decree.
- (2) A director shall not -
- (a) in the course of management of affairs of the company, or
- (b) in the utilisation of the company's property, make any secret profit or achieve other unnecessary benefits.
- (3) A director shall be accountable to the company for any secret profit made by him or any unnecessary benefit derived by him contrary to the provisions of subsection (2) of this section.
- (4) The inability or unwillingness of the company to perform any functions or duties under its articles and memorandum shall not constitute a defence to any breach of duty of a director under this Decree.
- (5) The duty not to misuse corporate information shall not cease by a director or an officer having resigned from the company, and he shall still be accountable and can be restrained by an injunction from misusing the information received by virtue of his previous position.
- (6) Where a director discloses his interest before the transaction and before the secret profits are made before the general meeting, which may or may not authorise any resulting profits, he may escape liability, but he shall not escape liability if he discloses only after he had made the secret profits, and in this case, he shall account for profits.

Multiple
directorship.

281.

The fact that a person holds more than one directorship shall not derogate from his fiduciary duties to each company including a duty not to use the property, opportunity or information obtained in the course of the management of one company for the benefit of the other company, or to his own or other person's advantage.

Duty of care
and skill.

282.

- (1) Every director of a company shall exercise the powers and discharge the duties of his office honestly, in good faith and in the best interests of the company, and shall exercise that degree of care, diligence and skill which a reasonably prudent director would exercise in comparable circumstances.
- (2) Failure to take reasonable care in accordance with the provisions of section 282 of this Decree shall ground an action for negligence and breach of duty.
- (3) Each director shall be individually responsible for the actions of the board in which he participated, and the absence from the board's deliberations, unless justified, shall not relieve a director of such responsibility.

- (4) The same standard of care in relation to the director's duties to the company shall be required for both executive and non-executive directors:

Provided that additional liability and benefit may arise under the master and servant law in the case of an executive director if there is an express or implied contract to that effect.

Legal position
of directors.

283. (1) Directors are trustees of the company's moneys, properties and their powers and as such must account for all the moneys over which they exercise control and shall refund any moneys improperly paid away, and shall exercise their powers honestly in the interest of the company and all shareholders, and not in their own or sectional interests.
- (2) A director may when acting within his authority and powers of the company be regarded as agents of the company under Part III of this Decree.

Property Transaction by Directors.

Substantial
property
transactions
involving
directors, etc.

284. (1) Subject to the exceptions provided by section 285, of this Decree, a company shall not enter into an arrangement -
- (a) whereby a director of the company or its holding company, or a person connected with such a director, acquires or is to acquire one or more non-cash assets of the requisite value from the company; or
- (b) whereby the company acquires or is to acquire one or more non-cash assets of the requisite value from such a director or a person so connected, unless the arrangement is first approved by a resolution of the company in general meeting and if the director or connected person is a director of its holding company or a person connected with such a director, by a resolution in general meeting of the holding company.
- (2) For the purpose of subsection (1) of this section, a non-cash asset is of the requisite value if, at the time the arrangement in question is entered into, its value is not less than =N=2,000 but (subject to that) exceeds =N=100,000 or 20 percent of the company's asset value, that is -
- (a) except in a case falling within paragraph (b) of this subsection the value of the company's net assets determined by reference to the accounts prepared and laid under Par XI in respect of the last preceding year in respect of which such accounts were so laid; and
- (b) where no accounts have been so prepared and laid before that time, the amount of the company's called-up share capital.
- (3) For purposes of this section and sections 285 and 286 of this Decree a shadow director shall be treated as a director.

Exceptions
from section
284.

285. (1) No approval shall be required to be given under section 284 of this Decree by any body corporate unless it is a company within the meaning of this Decree, or if it is a wholly-owned subsidiary of any body corporate.
- (2) Section 283 of this Decree shall not apply to an arrangement for the acquisition of a non-cash asset if -

Liabilities
arising from
contravention
of section 284

286.

- (a) the asset is to be acquired by a holding company from any of its wholly-owned subsidiaries or from a holding company by any of its wholly-owned subsidiary of a holding company from another wholly-owned subsidiary of that same holding company; or
 - (b) the arrangement is entered into by a company which is being wound up, unless the winding up is a member's voluntary winding up.
- (3) Subsection (1) (a) of section 284 of this Decree shall not apply to an arrangement whereby a person is to acquire an asset from a company of which he is a member, if the arrangement is made with that person in his character as a member.
- (1) An arrangement entered into by a company in contravention of section 284 of this Decree and any transaction entered into in pursuance of the arrangement (whether by the company or any other person), shall be voidable at the instance of the company unless one or more of the conditions specified in subsection (2) of this section is satisfied.
- (2) The conditions are that -
 - (a) restitution of any money or other asset which is the subject-matter of the arrangement or transaction is no longer possible or the company has been indemnified in pursuance of this section by any other person for the loss or damage suffered by it; or
 - (b) any rights acquired bona fide for value and without actual notice of the contravention by any person who is a party to the arrangement or transaction would be affected by its avoidance; or
 - (c) the arrangement is, within a reasonable period, affirmed by the company in general meeting and, if it is an arrangement for the transfer of an asset to or by a director of its holding company or a person who is connected with such a director, is so affirmed with the approval of the holding company given by a resolution in general meeting.
- (3) If an arrangement is entered into with a company by a director of the company or its holding company or a person connected with him in contravention of section 284 of this Decree, that director and the person so connected, and any other director of the company who authorises the arrangement or any transaction entered into in pursuance of such an arrangement, shall be guilty of an offence and liable -
 - (a) to account to the company for any gain which he has made directly or indirectly by the arrangement or transaction; and
 - (b) (jointly and severally with any other person liable under this subsection) to indemnify the company for any loss or damage resulting from the arrangement or transaction.
- (4) Subsection (3) of this section shall be without prejudice to any liability imposed otherwise than by that subsection, and is subject to the following two subsections; and the liability under subsection (3) of the section arises whether or not the arrangement or transaction entered into has been avoided in pursuance of subsection (1) of this section.
- (5) If an arrangement is entered into by a company and a person connected with a

director of the company or its holding company in contravention of section 284 of this Decree, that director shall not be liable under subsection (3) of this section if he shows that he took all reasonable steps to secure the company's compliance with that section.

- (6) In any case, a person so connected and any such other director as is mentioned in subsection (3) of this Decree, shall not be so liable if he shows that at the time the arrangement was entered into, he did not know the relevant circumstances constituting the contravention.
- (7) This section shall have effect with respect to references in sections 284, 285 and 286 of this Decree to a person being "connected" with a director of a company, and to a director being "associated with" or "controlling" a body corporate.
- (8) A person is connected with a director of a company if he (not being himself a director of it) is -
 - (a) that director's spouse, child or step-child, including illegitimate child;
 - (b) except where the context otherwise requires, a body corporate with which the director is associated; or
 - (c) a person acting in his capacity as trustee of any trust the beneficiaries of which include -
 - (i) the director, his spouse, any children or step-children; or
 - (ii) a body corporate with which he is associated, or of a trust whose terms confer a power on the trustees that may be exercised for the benefit of the director, his spouse or any children or step-children of his, or any such body corporate; or
 - (d) a person acting in his capacity as partner of that director or of any person who, by virtue of paragraph (a), (b) or (c) of this subsection, is connected with that director.

Prohibition of
secret benefits.

- 287. (1) A director shall not accept a bribe, a gift, or commission either in cash or kind from any person or a share in the profit of that person in respect of any transaction involving his company in order to introduce his company to deal with such a person.
- (2) If a director contravenes the provisions of section 287 (1) of this Decree, he commits a breach of duty and the company shall recover from the director the actual gift and then sue him and the other person jointly and severally for damages sustained without any deduction in respect of what the director has returned.
- (3) Where the gift is made after the transaction has been completed in a form of unsolicited gift as a sign of gratitude, the director may be allowed to keep the gift, provided he declares it before the board and that fact shall also appear in the minutes book of the directors.
- (4) In all cases concerning secret benefits, the plea that the company benefitted or that the gift was accepted in good faith shall be no defence.

Miscellaneous Matters Relating to Directors.

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| Directors with unlimited liability in respect of a limited company. | 288. | <p>(1) In a limited company the liability of the directors or managers of or of the managing director, may, if so provided by the memorandum, be unlimited.</p> <p>(2) In a limited company in which the liability of a director or manager is unlimited, the directors and any managers of the company and the member who proposes a person for election or appointment to the office of director or manager, shall add to that proposal a statement that the liability of the person holding that office shall be unlimited, and before the person accepts the office or acts therein, notice in writing that his liability shall be unlimited shall be given to him by the following or one of the following persons, namely, the promoters of the company, the directors of the company, any managers of the company and the secretary of the company.</p> <p>(3) If any director, manager, or promoter makes default in adding such a statement, or if any promoter, director, manager or secretary makes default in giving such a notice, he shall be guilty of an offence and liable to a fine of ₦100 and shall also be liable for any damage which the person so elected or appointed may sustain from the default.</p> |
| Special resolution of limited company making liability of directors unlimited. | 289. | <p>(1) A limited company, if so authorised by its articles, may, by special resolution, alter its memorandum so as to render unlimited the liability of its directors or managers, or of any managing director.</p> <p>(2) Upon the passing of any such special resolution the provisions of it shall be as valid as if they had been originally contained in the memorandum.</p> |
| Personal liability of directors and officers. | 290. | <p>Where a company -</p> <p>(a) receives money by way of loan for specific purpose; or</p> <p>(b) receives money or other property by way of advance payment for the execution of a contract or project; and</p> <p>(c) with intent to defraud, fails to apply the money or other property for the purpose for which it was received, every director or other officer of the company who is in default shall be personally liable to the party from whom the money or property was received for a refund of the money or property so received and not applied for the purpose for which it was received:</p> <p>Provided that nothing in this section shall affect the liability of the company itself.</p> |
| Director's contract of employment for more than 5 years. | 291. | <p>(1) The provisions of this section shall apply in respect of any term of an agreement whereby a director's employment with the company of which he is a director or, where he is the director of a holding company his employment within the group is to continue or may be continued, otherwise than at the instance of the company (whether under the original agreement entered into in pursuance of it or not), for a period of more than 5 years during which the employment -</p> <p>(a) cannot be terminated by the company by notice; or</p> |

- (b) can be so terminated only in specified circumstances.
- (2) In any such case where -
 - (a) a person is or is to be employed with a company under an agreement which cannot be terminated by the company by notice or can be so terminated only in specified circumstances; and
 - (b) more than 6 months before the expiration of the period for which he is or to be so employed, the company enters into a further agreement otherwise than in pursuance of a right conferred by or under the original agreement on the other party to it under which he is to be employed with the company or, where he is a director of a holding company, within the group; this section shall apply as if to the period for which he is to be employed under that further agreement there were added a further period equal to the unexpired period of the original agreement.
- (3) A company shall not incorporate in an agreement such a term as is mentioned in subsection (1) of this section unless the term is first approved by a resolution of the company in general meeting and in the case of a director of a holding company, by a resolution of that company in general meeting.
- (4) No approval shall be required to be given under this section by any body corporate unless it is a company within the meaning of this Decree, or if it is a wholly-owned subsidiary of any body corporate.
- (5) A resolution of a company approving such a term as is mentioned in subsection (1) of this section, shall not be passed at a general meeting of the company unless a written memorandum setting out the proposed agreement incorporating the term is available for inspection by members of the company both -
 - (a) at the company's registered office for not less than 15 days ending with the date of the meeting; and
 - (b) at the meeting itself.
- (6) A term incorporated in an agreement in contravention of this section shall to the extent that it contravenes the section, be void; and that agreement and in a case where subsection (2) of this section applies, the original agreements shall be deemed each to contain a term entitling the company to terminate it at any time by the giving of reasonable notice.
- (7) In this section -
 - (a) "employment" includes employment under a contract for services; and
 - (b) "group" in relation to a director of a holding company, means the group which consists of that company and its subsidiaries and for purposes of this section, a shadow director shall be treated as a director.

Register of
directors and
secretaries.

292. (1) Every company shall keep at its registered office, register of its directors and secretaries.
- (2) The register shall contain the following particulars with respect to each director, that is to say his present forename and surname, any former forename and surname, his

usual residential address, his nationality, his business occupation, if any, particulars of any other directorships held by him and the date of his birth:

Provided that it shall not be necessary for the register to contain particulars of directorships held by a director in companies of which the whole company is the wholly-owned subsidiary, or which are the wholly-owned subsidiaries either of the company or of another company of which the company is the wholly-owned subsidiary, and for the purposes of this proviso -

- (i) "company" includes any body corporate incorporated in Nigeria; and
 - (ii) a body corporate shall be deemed to be the wholly-owned subsidiary of another if it has no members except that other and that other's wholly-owned subsidiaries and its or their nominees.
- (3) The register shall contain the following particulars with respect to the secretary in the case of an individual, his present forename and surname, any former forenames and surname and his usual residential address; and in the case of a corporation its registered name and registered or head office.
 - (4) The company shall within the periods respectively mentioned in subsection (5) of this section, send to the Commission a return in the prescribed form containing the particulars specified in the register and notification in the prescribed form of any change among its directors or in its secretary or in any of the particulars contained in the register, specifying the date of the change.
 - (5) The periods referred to in subsection (4) of this section shall be the period within which
 - (a) the return is to be sent which shall be a period of 14 days from the date of incorporation of the company; and
 - (b) the notification of a change is to be sent which shall be 14 days from the happening thereof.

Provided that, in the case of a return containing particulars with respect to any person who is the company's secretary at the commencement of this Decree, the period shall be 14 days from the commencement of this Decree.

- (6) The register to be kept under this section shall during business hours (subject to such reasonable restrictions as the company may by its articles or in general meeting impose, so that no less than two hours in each day be allowed for inspection) be open to inspection by any member of the company without charge and by any other person on payment of 50K or such less sum as the company may prescribe, for each inspection.
- (7) If any inspection required under this section is refused, or if default is made in complying with the provisions of subsections (1), (2), (3) and (4) of this section, the company and every officer of the company who is in default shall be guilty of an offence and liable to a fine of ₦50.
- (8) In case of any such refusal or default as mentioned in subsection (7) of this section, the court may by order compel an inspection of the register or that the copies required be sent as provided in this section.

(9) For the purpose of this section -

- (a) a person in accordance with whose directions or instruction the directors of a company are accustomed to act shall be deemed to be a director and officer of the company;
- (b) reference to a former forename or surname in the case of a married woman shall not include the name or surname by which she was known previous to the marriage.

CHAPTER 2 - SECRETARIES.

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| Secretaries. | 293. | (1) | Every company shall have a secretary. |
| | | (2) | Anything required or authorised to be done by or of the secretary may, if the office is vacant or there is for any other reason no secretary capable of acting, be done by or of any assistant or deputy secretary or, if there is no assistant or deputy secretary capable of acting, by or of any officer of the company authorised generally or specially in that behalf by the directors. |
| Avoidance of acts done by a person as director and secretary. | 294. | | A provision requiring or authorising a thing to be done by or of a director and the secretary shall not be satisfied by its being done by or of the same person acting both as director and as, or in place of the secretary. |
| Qualification of a secretary. | 295. | | It shall be the duty of the directors of a company to take all reasonable steps to ensure that the secretary of the company is a person who appears to them to have the requisite knowledge and experience to discharge the functions of a secretary of a company, and in the case of a public company, he shall be - |
| 1975 No. 15. | | (a) | a member of the Institute of Chartered Secretaries and Administrators; or |
| | | (b) | Legal practitioner within the meaning of the Legal Practitioners Act 1975; or |
| | | (c) | a member of any professional body of accountants as established by an Act or a Decree; or |
| | | (d) | a body corporate or firm consisting of members each of whom is qualified under paragraph (a), (b), or (c) of this section. |
| Appointments and removal of a secretary. | 296. | (1) | A secretary shall be appointed by the directors and, subject to the provisions of this section, may be removed by them. |
| | | (2) | Where it is intended to remove the secretary of a public company, the board of directors shall give him notice - |
| | | (a) | stating that it is intended to remove him; |
| | | (b) | setting out the grounds on which it is intended to remove him; |
| | | (c) | giving him a period not less than 7 working days within which to make his |

defence and;

(d) giving him an option to resign his office within a period of 7 working days.

(3) Where, following the notice prescribed in subsection (2) of this section the secretary does not within the given period resign his office or make a defence, the board may remove him from office and shall make a report to the next general meeting; but where the secretary, without resigning his office makes a defence and the board does not consider it sufficient if the ground -

(a) on which it is intended to remove him is that of fraud or serious misconduct, the board may remove him from office and shall report to the next general meeting; and

(b) is other than of fraud or serious misconduct, the board shall not remove him without the approval of the general meeting, but may suspend him and shall report to the next general meeting.

(4) Notwithstanding any rule of law, where a secretary suspended under the paragraph (b) of subsection (3) of this section is removed with the approval of the general meeting, the removal may take effect from such time as the general meeting may determine.

Fiduciary
interests of
a secretary.

297.

A secretary shall not owe fiduciary duties to the company, but where he is acting as its agent he shall owe fiduciary duties to it, and as such shall be liable to the company where he makes secret profits or lets his duties conflict with his personal interests, or uses confidential information he obtains from the company for his own benefit.

Duties of a
secretary.

298.

(1)

The duties of a secretary shall include the following -

(a) attending the meeting of the company, the board of directors and its committees, rendering all necessary secretarial services in respect of the meeting and advising on compliance by the meetings with the applicable rules and regulations;

(b) maintaining the registers and other records required to be maintained by the company under this Decree;

(c) rendering proper returns and giving notification to the Commission required under this Decree; and

(d) carrying out such administrative and other secretarial duties as directed by the director, or the Company.

(2) The secretary shall not without the authority of the board exercise any powers vested in the directors.

PART X - PROTECTION OF MINORITY AGAINST ILLEGAL AND OPPRESSIVE CONDUCT.

Action by or Against the Company.

Only company may sue for wrong or ratify irregular conduct.	299		Subject to the provisions of this Decree, where irregularity has been committed in the course of a company's affairs or any wrong has been done to the company, only the company can sue to remedy that wrong and only the company can ratify the irregular conduct.
Protection of minority: injunction and declaration in certain cases.	300.		Without prejudice to the rights of the members under sections 303 to 308 and sections 310 to 312 of this Decree or any other provision of this Decree, the court, on the application of any member, may by injunction or declaration restrain the company from the following - (a) entering into any transaction which is illegal or ultra vires; (b) purporting to do by ordinary resolution any act which by its constitution or the Decree requires to be done by special resolution; (c) any act or omission affecting the applicant's individual rights as a member; (d) committing fraud on either the company or the minority shareholders where the directors fail to take appropriate action to redress the wrong done; (e) where a company meeting cannot be called in time to be of practical use in redressing a wrong done to the company or to minority shareholders. (f) where the directors are likely to derive a profit or benefit, or have profited or benefited from their negligence or from their breach of duty.
Personal and representative action	301	(1)	Where a member institutes a personal action to enforce a right due to him personally, he shall not be entitled to any damages but to declaration or injunction to restrain the company and/or directors from doing a particular act.
		(2);	Where a member institutes a representative action on behalf of himself and other affected members to enforce any rights due to them, he shall not be entitled to any damages but to a declaration or injunction to restrain the company and/or directors from doing a particular act.
		(3)	Where any member institutes an action under this section, the court may award costs to him personally whether or not his action succeeds.
		(4)	In any proceedings by a member under section 300 of this Decree, the court may, if it thinks fit order that the member shall give security for costs.
Definition of member	302.		For the purpose of sections 300 and 301 of this Decree, "member" includes - (a) the personal representative of a deceased member; and (b) any person to whom shares have been transferred or transmitted by operation of law.
Commencing derivative action	303	(1)	Subject to the provisions of subsection (2) of this section, an applicant may apply to the court for leave to bring an action in the name or on behalf of a company, or to intervene in an action to which the company is a party, for the purpose of prosecuting, defending or discontinuing the action on behalf of the company.
		(2)	No action may be brought and no intervention may be made under subsection (1) of this section, unless the court is satisfied that -

- (a) the wrongdoers are the directors who are in control, and will not take necessary action;
- (b) the applicant has given reasonable notice to the directors of the company of his intention to apply to the court under subsection (1) of this section if the directors of the company do not bring, diligently prosecute or defend or discontinue the action;
- (c) the applicant is acting in good faith; and
- (d) it appears to be in the best interest of the company that the action be brought, prosecuted, defended or discontinued.

Powers of court	304.	(1) In connection with an action brought or intervened under section 303 of this Decree the court may at any time make any such order or orders, as it thinks fit. (2) Without prejudice to the generality of subsection (1) of this section, the court may make one or more of the following orders, that is an order - (a) authorising the applicant or any other person to control the conduct of the action; (b) giving directions for the conduct of the action; (c) directing that any amount adjudged payable by a defendant in the action shall be paid, in whole or in part, directly to former and present security holders of the company instead of to the company; (d) requiring the company to pay reasonable legal fees incurred by the applicant in connection with the proceedings.
Evidence of shareholders approval not decisive	305.	An application made or an action brought or intervened in under section 303 of this Decree shall not be stayed or dismissed by reason only that it is shown that an alleged breach of a right or a duty owed to the company has been or may be approved by the shareholders of such company, but evidence of approval by the shareholders may be taken into account by the Court in making an order under section 304 of this Decree.
Court's approval to discontinue	306.	An application made or an action brought or intervened in under section 303 of this Decree shall not be stayed, discontinued, settled or dismissed for want of prosecution without the approval of the court given upon such terms as the court thinks fit and, if the court determines that the rights of any applicant may be substantially affected by such stay, discontinuance, settlement or dismissal, the court may order any party to the application or action to give notice to the applicant.
No security for costs.	307.	An applicant shall not be required to give security for costs in any application made or action brought or intervened in under section 303 of this Decree.
Interim costs.	308.	In an application made or an action brought or intervened in under section 303 of this Decree, the court may at anytime order the company to pay to the applicant interim costs before the final disposition of the application or action.
Definition.	309.	In sections 303 to 308 of this Decree, "applicant" means - (a) a registered holder or a beneficial owner and former registered holder or

beneficial owner, of a security of a company;

- (b) a director or an officer or a former director or officer of a company;
- (c) the Commission; or
- (d) any other person who in the discretion of the court, is a proper person to make an application under section 303 of this Decree.

Relief on the Grounds of Unfairly Prejudicial and Oppressive Conduct.

Application. 310. (1) An application to the Court by petition for an order under section 311 of this Decree in relation to a company may be made by any of the following persons -

- (a) a member of the company;
- (b) a director or officer or former director or officer of the company;
- (c) a creditor;
- (d) the Commission; or
- (e) any other person who, in the discretion of the court, is the proper person to make an application under section 311 of this Decree.

(2) In sections 311 to 313 of this Decree, "member" includes -

- (a) the personal representative of a deceased member; and
- (b) any person to whom shares have been transferred or transmitted by operation of law.

Grounds upon which an application may be made. 311.

(1) An application for relief on the ground that the affairs of a company are being conducted in an illegal or oppressive manner may be made to the court by petition.

(2) An application to the court by petition for an order under this section in relation to a company may be made -

- (a) by a member of the company who alleges -
 - (i) that the affairs of the company are being conducted in a manner that is oppressive or unfairly prejudicial to, or unfairly discriminatory against, a member or members, or in a manner that is in disregard of the interest of a member or the members as a whole; or
 - (ii) that an act or omission or a proposed act or omission by or on behalf of the company or a resolution, or a proposed resolution, of a class of members, was or would be oppressive or unfairly prejudicial to, or unfairly discriminatory against, a member or members or was or would be in a manner which is in disregard of the interest of a member or the members as a whole; or
- (b) by any of the persons mentioned under paragraphs (b), (c) and (e) of subsection (1) of section 310 of this Decree who alleges -

- (i) that the affairs of the company are being conducted in a manner oppressive or unfairly prejudicial to or discriminatory against or in a manner in disregard of the interest of that person;
- (ii) that an act or omission, or a proposed act or omission was or would be oppressive or unfairly prejudicial to, or unfairly discriminatory against, or which is in a manner in disregard of the interest of that person, or
- (c) by the Commission in a case where it appears to it in the exercise of its powers under the provisions of this Decree or any other enactment that -
 - (i) the affairs of the company are being conducted in a manner that is oppressive or unfairly prejudicial to, or unfairly discriminatory against a member or members or in a manner which is in disregard of the public interest; or
 - (ii) any actual or proposed act or omission of the company (including an act or omission on its behalf) which was or would be oppressive, or unfairly prejudicial to, or unfairly discriminatory against a member or members in a manner which is in disregard of the public interests.

Powers of
the court.

312. (1) If the court is satisfied that a petition under sections 310 and 311 of this Decree is well founded, it may make such order or orders as it thinks fit for giving relief in respect of the matter complained of.
- (2) Without prejudice to the generality of subsection (1) of this section, the court may make one or more of the following orders that is, an order -
- (a) that the company be wound up;
 - (b) for regulating the conduct of the affairs of the company in future;
 - (c) for the purchase of the shares of any member by other members of the company;
 - (d) for the purchase of the shares of any member by the company and for the reduction accordingly of the company's capital;
 - (e) directing the company to institute, prosecute, defend or discontinue specific proceedings, or authorizing a member or members or the company to institute, prosecute, defend or discontinue specific proceedings in the name or on behalf of the company;
 - (f) varying or setting aside a transaction or contract to which the company is a party and compensating the company or any other party to the transaction or contract;
 - (g) directing an investigation to be made by the Commission;
 - (h) appointing a receiver or a receiver and manager of property of the company;
 - (i) restraining a person from engaging in specific conduct or from doing a specific act or thing;
 - (j) requiring a person to do a specific act or thing.

- (3) Where an order that a company be wound up is made under this section, the provisions of this Decree relating to winding up of companies shall apply, with such adaptations as are necessary, as if the order had been made upon an application duly filed in the court by the company.
- (4) Where an order under this section makes any alteration in addition to the memorandum or articles of a company, then, notwithstanding anything in any other provision of this Decree but subject to the provisions of the order, the company shall not have power, without the leave of the court, to make any further alteration or addition to the memorandum and articles inconsistent with the provisions of the order but, subject to the foregoing provisions of this subsection, the alteration or addition shall have effect as if it had been duly made by a resolution of the company.
- (5) A certified true copy of an order made under this section altering or giving leave to alter, a company's memorandum or articles shall, within 14 days from the making of the order or such longer period as the court may allow, be delivered by the company to the Commission for registration; and if the company makes default in complying with the provisions of this subsection, the company and every officer of it who is in default shall be guilty of an offence and liable to a fine of ₦50 and for continued contravention, to a daily default fine of ₦25.
- Penalty for failure to comply with order of the court. 313. Any person who contravenes or fails to comply with an order made under section 312 of this Decree that is applicable to him shall be guilty of an offence and be liable to a fine of ₦500 or imprisonment for one year or to both such fine and imprisonment.

Investigation of Companies and their Affairs.

- Investigation of a company on its own application or that of its members. 314. (1) The Commission may appoint one or more competent inspectors to investigate the affairs of a company and to report on them in such manner as it may direct.
- (2) The appointment may be made -
- (a) in the case of a company having a share capital on the application of members holding not less than one-quarter of the class of shares issued.
- (b) in the case of a company not having a share capital, on the application of not less than one quarter in number of the persons on the company's register of members; and
- (c) in any other case, on application of the company.
- (3) The application shall be supported by such evidence as the Commission may require for the purpose of showing that the applicant or applicants have good reason for requiring the investigation.
- Other investigations of company. 315. (1) The Commission shall appoint one or more competent inspectors to investigate the affairs of a company and report on them in such manner as it directs, if the Court by order declares that its affairs ought be so investigated.
- (2) The Commission may make such an appointment if it appears to it that there are circumstances suggesting that -

- (a) the company's affairs are being or have been conducted with intent to defraud its creditors or the creditors of any other person, or in a manner which is unfairly prejudicial to some part of its members; or
 - (b) any actual or proposed act or omission of the company (including an act or omission on its behalf) is or would be so prejudicial, or that the company was formed for any fraudulent or unlawful purpose or;
 - (c) persons concerned with the company's formation or the management of its affairs have in connection therewith been guilty of fraud, misfeasance or other misconduct towards it or towards its members; or
 - (d) the company's members have not been given all the information with respect to its affairs which they might reasonably expect.
- (3) Subsections (1) and (2) of this section shall be without prejudice to the powers of the Commission under section 322 of this Decree and the power conferred by subsection (2) of this section, shall be exercisable with respect to a body corporate notwithstanding that it is in course of being voluntarily wound up.
- (4) Reference in subsection (2) of this section to a company's members includes any of the following persons -
- (a) the personal representatives of a deceased member; and
 - (b) any person to whom shares have been transferred or transmitted by operation of law.

Inspectors' powers during investigation

316

- (1) If an inspector appointed under section 314 or 315 of this Decree to investigate the affairs of a company thinks it necessary for the purposes of his investigation to investigate also the affairs of another body corporate which is or at any relevant time has been the company's holding company or a subsidiary, he shall report on the affairs of the other body corporate so far as he thinks that the results of his investigation of its affairs are relevant to the investigation of the affairs of the company first mentioned above.
- (2) An inspector appointed under either section 314 or 315 of this Decree may at anytime in the course of his investigation, without the necessity of making an interim report, inform the Commission of matters coming to his knowledge as a result of the investigation tending to show that an offence has been committed.

Production of documents and evidence to inspectors.

317

- (1) When an inspector is appointed under section 314 or 315 of this Decree, it shall be the duty of all officers and agents of the company, and of all officers and agents of any other body corporate whose affairs are investigated under section 316 of this Decree -
- (a) to produce to the inspector all books and documents of or relating to the company or, as the case may be, the other body corporate which are in their custody or power;
 - (b) to attend before the inspector when required to do so; and
 - (c) otherwise to give the inspector all assistance in connection with the investigation which he is reasonably able to give.

- (2) If the inspector considers that a person other than an officer or agent of the company or other body corporate is or may be in possession of information concerning its affairs, he may require that person to produce to him any books or documents in his custody or power relating to the company or other body corporate, to attend before him and otherwise to give him all assistance in connection with the investigation which he is reasonably able to give, and it is that person's duty to comply with the requirement.
- (3) An inspector may examine on oath the officers and agents of the company or other body corporate, and any such person as is mentioned in subsection (2) of this section in relation to the affairs of the company or other body, and administer an oath accordingly.
- (4) In this section, a reference to officers or to agents includes past, as well as present, officers or agents (as the case may be); and "agents" in relation to a company or other body corporate, includes its bankers and solicitors and persons employed by it as auditors, whether these persons are or are not officers of the company or other body corporate.
- (5) An answer given by a person to a question put to him in exercise of powers conferred by this section (whether as it has effect in relation to an investigation under any of sections 314 to 316 of this Decree as applied by any other section in this Decree) may be used in evidence against him.

Power of
inspector to
call for direc-
tors' bank
accounts.

318. (1) If an inspector has reasonable grounds for believing that a director, or past director, of the company or other body corporate whose affairs he is investigating maintains or has maintained a bank account of any description (whether alone or jointly with another person and whether in Nigeria or elsewhere), into or out of which there has been paid -
- (a) the emoluments or part of the emoluments of his office as such director particulars of which have not been disclosed in the financial statements of the company or other body corporate for any financial year, contrary to the provisions of Part V of Schedule 4 to this Decree (in relation to particulars in accounts of directors.);
 - (b) any money which has resulted from or been used in the financing of an undisclosed transaction, arrangement or agreement; or
 - (c) any money which has been in any way connected with an act or omission or series of acts or omissions, which on the part of that director constituted misconduct (whether fraudulent or not) towards the company or body corporate or its members, the inspector may require the director to produce to him all documents in the director's possession, or under his control, relating to that bank account.
- (2) For purposes of subsection (1) (b) of this section, an "undisclosed" transaction, arrangement or agreement is one the particulars of which have not been disclosed in the financial statement of any company or in a statement annexed thereto for any financial year, including the disclosure of contracts between companies and their directors.

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| Obstruction of inspectors to be treated as contempt of court. | 319. | <p>(1) When an inspector is appointed under section 314 or 315 of this Decree to investigate the affairs of a company, the following applies in the case of -</p> <ul style="list-style-type: none">(a) any officer or agent of the company;(b) any officer or agent of another body corporate whose affairs are investigated under section 316 of this Decree; and(c) any such person as is mentioned in section 317 (2) of this Decree. <p>(2) Subsection (4) of section 317 of this Decree, shall apply with regards to references in subsection (1) of this section to an officer or agent.</p> <p>(3) If that person -</p> <ul style="list-style-type: none">(a) refuses to produce any book or document which it is his duty under section 317 or 318 of this Decree to produce or(b) refuses to attend before the inspector when required to do so; or(c) refuses to answer any question put to him by the inspector with respect to the affairs of the company or other body corporate (as the case may be); the inspector may certify the refusal in writing to the Court. <p>(4) The Court may thereupon enquire into the case; and after hearing any witnesses who may be produced against or on behalf of the alleged offender and after hearing any statement which may be offered in defence, the court may punish the offender in like manner as if he had been guilty of contempt of the court.</p> |
| Inspector's report. | 320. | <p>(1) The inspector may, and if so directed by the Commission shall, make interim report to the Commission, and on the conclusion of his investigation shall make a final report to it and any such report shall be written or printed, as the Commission may direct.</p> <p>(2) The Commission may direct that a copy of the inspector's report be forwarded to the company at its registered or head office.</p> <p>(3) Where an inspector is appointed under section 314 of this Decree in pursuance of an order of the court, the Commission shall furnish a copy of any of its reports to the court.</p> <p>(4) In any other case, the Commission may, if it thinks fit -</p> <ul style="list-style-type: none">(a) furnish a copy on request and on payment of the prescribed fee to -<ul style="list-style-type: none">(i) any member of the company or other body corporate which is the subject of the report;(ii) any person whose conduct is referred to in the report;(iii) the auditors of that company or body corporate;(iv) the applicants for the investigation;(v) any other person whose financial interests appear to the Commission to be |

affected by the matters dealt with in the report, whether as creditors of the company or body corporate, or otherwise; and

(b) cause any such report to be printed and published.

Power to
bring civil
proceedings
on company's
behalf.

321. (1) If, from any report made under section 320 of this Decree, it appears to the Commission, that any civil proceedings ought in the public interest to be brought by the company or any body corporate, the Commission may itself bring such proceedings in the name and on behalf of the company or the body corporate.
- (2) The Commission shall indemnify the body corporate against any costs or expenses incurred by it in or in connection with proceedings brought under this section; and any costs or expenses so incurred shall be, if not otherwise recoverable be defrayed out of the Consolidated Revenue Fund.

Criminal
proceedings
and other
proceedings
by the Attorney-
General of the
Federation.

322. (1) If, from any report made under section 320 of this Decree it appears that any person has, in relation to the company or any body corporate whose affairs have been investigated by virtue of section 316 of this Decree, been guilty of any offence for which he is criminally liable, the report shall be referred to the Attorney-General of the Federation.
- (2) If the Attorney-General of the Federation considers that the case referred to him is one in which a prosecution ought to be instituted, he shall direct action accordingly, and it shall be the duty of all officers and agents of the company or other body corporate, as the case may be (other than the defendant in the proceedings), to give all assistance in connection with the prosecution which they are reasonably able to give.
- (3) If from any report made under section 320 of this Decree, it appears to the Commission that proceedings ought in the public interest to be brought by any body corporate dealt with by the report for the recovery of damages in respect of any fraud, misfeasance or other misconduct in connection with the promotion or formation of that body corporate or the management of its affairs, or for the recovery of any property of the body corporate which has been misapplied or wrongfully retained, it may refer the case to the Attorney-General of the Federation for his opinion as to the bringing of proceedings for that purpose in the name of the body corporate and if proceedings are brought, it shall be the duty of all officers and agents of the company or other body corporate as the case may be (other than the defendant in the proceedings), to give him all assistance in connection with the proceedings which they are reasonably able to give.
- (4) Costs and expenses incurred by a body corporate in or in connection with any proceedings brought by it under subsection (3) of this section shall, if not otherwise recoverable, be defrayed out of the Consolidated Revenue Fund.

Power of the
Commission
to present
winding up
petition.

323. If, in the case of any body corporate liable to be wound up under this Decree it appears to the Commission from a report made, by an inspector under section 320 of this Decree that it is expedient in the public interest that the body should be wound up, the Commission may (unless the body is already wound up by the court) present a petition for it to be so wound up if the court thinks it just and equitable to do so.

Expenses of investigation	324.	(1)	The expenses of an incidental to an investigation by an inspector appointed by the Commission under the foregoing provisions of this Decree, shall be defrayed in the first instance out of the Consolidated Revenue Fund, but the following persons shall, to the extent mentioned, be liable to make repayment, that is to say - (a) any person who is convicted on a prosecution instituted, as a result of the investigation by the Attorney-General of the Federation, or who is ordered to pay damages or restore any property in proceedings brought by virtue of subsection (3) of section 322 of this Decree, may in the same proceedings be ordered to pay the said expenses to such extent as are specified in the order; (b) any body corporate in whose name proceedings are brought as aforesaid shall be liable to the extent of the amount or value of any sums or property recovered by it as a result of those proceedings; (c) unless as the result of the investigation a prosecution is instituted by the Attorney-General of the Federation, the applicants for the investigation, where the inspector was appointed under section 314 of this Decree shall be liable to such extent (if any) as the Commission may direct; and any amount for which a body corporate is liable by virtue of paragraph (b) of this subsection, shall be a first charge on the sums or property mentioned in that paragraph. (2) For the purposes of this section, any costs or expenses incurred by the Commission in or in connection with proceedings brought by virtue of subsection (2) of section 321 of this Decree, shall be treated as expenses of the investigation giving rise to the proceedings. (3) Expenses to be defrayed by the Commission under this section shall, so far as not recovered thereunder be paid out of the appropriate Consolidated Revenue Fund.
Inspectors report to be used as evidence in legal proceedings	325	(1)	A copy of any report of inspector's appointed under sections 314 and 315 of this Decree, certified by the Commission to be a true copy, shall be admissible in any legal proceedings as evidence of the opinion of the inspector in relation to any matter contained in the report. (2) A document purporting to be such a certificate as is mentioned above shall be received in evidence and be deemed to be such a certificate, unless the contrary is proved.
Appointment, etc of inspectors to investigate ownership of a company	326	(1)	Where it appears to the Commission, that there is good reason so to do, it may appoint one or more competent inspectors to investigate and report on the membership of any company and otherwise with respect to the company for the purpose of determining the true persons who are or have been financially interested in the success or failure (real or apparent) of the company or able to control or materially to influence the policy of the company. (2) The appointment of an inspector under this section may define the scope of his investigation, whether as respect the matter or the period to which it is to extend or otherwise and in particular may limit investigation to matters connected with particular shares or debenture (a) the Commission shall appoint an inspector to conduct the investigation unless it is satisfied that the application is vexatious; and

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- (b) the inspector's appointment shall not exclude from the scope of his investigation any matter which the application seeks to include except in so far as the Commission is satisfied that it is reasonable for the matter to be investigated,
- (4) Subject to the terms of an inspector's appointment, his powers shall extend to the investigation of any circumstances suggesting the existence of an arrangement or understanding which, though not legally binding, is or was observed or likely to be observed in practice and which is relevant to the purposes of his investigation.
- Provisions applicable to investigation. 327. (1) For the purposes of any investigation under section 326 of this Decree, the provisions of sections 316 to 320 inclusive of this Decree shall apply with the necessary modifications to references to the affairs of the company or to those of any body corporate, so however, that -
- (a) the said sections shall apply in relation to all persons who are or have been, or whom the inspector has reasonable cause to believe to be or have been, financially interested in the success or failure or the apparent success or failure of the company or any other body corporate whose membership is investigated with that of the company, or able to control or materially to influence the policy thereof, including persons concerned only on behalf of others, as they apply in relation to officers and agents of the company or of the other body corporate, as the case may be; and
- (b) the Commission shall not be bound to furnish the company or any other person with a copy of any report by an inspector appointed under this section or with a complete copy thereof if he is of opinion that there is good reason for not divulging the contents of the reports or of part thereof, but shall keep a copy of any such report, or, as the case may be, the parts of any report, as regards which he is not of that opinion.
- (2) The expenses of any investigation under section 326 of this Decree shall be defrayed out of the Consolidated Revenue Fund.
- Power to require information as to persons interested in shares, etc. 328. (1) Where it is made to appear to the Commission, that there is good reason to investigate the ownership of any shares in or debentures of a company and that it is unnecessary to appoint an inspector for the purpose, the Commission may require any person who it has reasonable cause to believe -
- (a) to be or to have been interested in those shares or debentures; or
- (b) to act or to have acted in relation to those shares or debentures as a legal practitioner or an agent of some one interested therein, to give to the Commission any information which the person has or might reasonably be expected to obtain as to the present and past interest in those shares or debentures and the names and addresses of the persons interested, and of any persons who act or have acted on their behalf in relation to the shares or debentures.
- (2) For the purposes of this section, a person shall be deemed to have an interest in a share or debenture if he has any right to acquire or dispose of the share or debenture or any interest therein or to vote in respect thereof, or if his consent is necessary for the exercise of any of the rights of other persons interested therein, or if other persons interested therein can be required or are accustomed to exercise their rights in accordance with his instructions.

- (3) Any person, who fails to give any information required of him under this section, or who in giving any such information makes any statement which he knows to be false in a material particular, or recklessly makes any statement which is false in a material particular shall be guilty of an offence and liable to a fine of ₦500 or to imprisonment for a term of 6 months or to both.
- Power to impose restrictions on shares, etc. 329. (1) Where in connection with an investigation under section 326 or 328 of this Decree, it appears to the commission that there is difficulty in finding out the relevant facts about any share whether issued or to be issued), and that the difficulty is due wholly or mainly to the unwillingness of the persons concerned or any of them to assist the investigation as required by this Decree, the Commission may in writing direct that the shares shall until further notice be subject to the restrictions imposed by this section.
- (2) So long as any shares are directed to be subject to the restrictions imposed by this section -
- (a) any transfer of those shares, or in case of unissued shares any transfer of the right to be issued therewith and any issue thereof, shall be void;
 - (b) no voting rights shall be exercisable in respect of those shares;
 - (c) no further shares shall be issued in right of those shares or in pursuance of any offer made to the holder thereof;
 - (d) except in a liquidation, no payment shall be made of any sums due from the company on those shares, whether in respect of capital or otherwise.
- (3) Where the Commission directs shares to be subject to restrictions under this section, or refuses to direct that shares shall cease to be subject thereto, any person aggrieved thereby may appeal to the court, and the court may, if it sees fit, direct that the shares shall cease to be subject to the said restrictions.
- (4) Any direction or order of the court that shares shall cease to be subject to restrictions under this section, expressed to be made with a view to permitting a transfer of those shares may continue the restrictions mentioned in paragraphs (c) and (d) of subsection (2) of this section, either in whole or in part, so far as they relate to any right acquired or offer made before the transfer.
- (5) Any person who -
- (a) exercises or purports to exercise any right to dispose of any shares which, to his knowledge, are for the time being subject to restrictions under this section; or
 - (b) votes in respect of any such shares, whether as holder or proxy, or appoints a proxy to vote in respect thereof; or
 - (c) being the holder of any such shares, fails to notify that they are subject to the said restrictions, shall be guilty of an offence and liable to a fine of ₦500 or imprisonment for a term of 6 months, or to both.
- (6) Where shares in any company are issued in contravention of the said restrictions, the company and every officer of the company who is in default shall be guilty of an offence and liable to a fine of ₦500.

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| | (7) | A prosecution shall not be instituted under this section except by or with the consent of the Attorney-General of the Federation. |
| | (8) | This section shall apply in relation to debentures as it applies in relation to shares. |
| Savings for legal practitioners and bankers. | 330. | Nothing in the foregoing provisions of this Part of this Decree shall require disclosure to the Commission or to an inspector appointed by it by -

(a) a legal practitioner of any privileged communication made to him in that capacity, except as regards the name and address of his client; or

(b) a company's bankers as such, of any information as to the affairs of any of their customers other than the company. |

PART XI - FINANCIAL STATEMENTS AND AUDIT

CHAPTER 1 - FINANCIAL STATEMENTS

Accounting Records.

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| Companies to keep accounting records. | 331. | (1) | Every company shall cause accounting records to be kept in accordance with this section. |
| | | (2) | The accounting records shall be sufficient to show and explain the transactions of the company and shall be such as to -

(a) disclose with reasonable accuracy, at any time, the financial position of the company and;

(b) enable the directors to ensure that any financial statements prepared under this Part comply with the requirements of this Decree as to the form and content of the company's financial statements. |
| | | (3) | The accounting records shall, in particular, contain -

(a) entries from day to day of all sums of money received and expended by the company, and the matters in respect of which the receipt and expenditure take place; and

(b) a record of the assets and liabilities of the company; |
| | | (4) | If the business of the company involves dealing in goods, the accounting records shall contain -

(a) statements of stocks held by the company at the end of each year of the company;
(b) all statements of stocktakings from which any such statement of stock as is mentioned in paragraph (a) of this subsection has been or is to be prepared; and
(c) except in the case of goods sold by way of ordinary retail trade, statements of all goods sold and purchased, showing the goods and the buyers and sellers in sufficient detail to enable all these to be identified. |

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| Place and duration of records. | 332. | <p>(1) The accounting records of a company shall be kept at its registered office or such other place in Nigeria as the directors think fit, and shall at all times be open to inspection by the officers of the company.</p> <p>(2) Subject to any direction with respect to the disposal of records given under winding-up rules made under section 635 of this Decree, accounting records which a company is required by section 331 of this Decree to keep shall be preserved by it for a period of 6 years from the date on which they were made.</p> |
| Penalties for non-compliance with sections 331 and 332. | 333. | <p>(1) If a company fails to comply with any provision of section 331 or 332 (1) of this Decree, every officer of the company who is in default shall be guilty of an offence unless he shows that he acted honestly and that in the circumstances in which the business of the company was carried on, the default was excusable.</p> <p>(2) An officer of a company shall be guilty of an offence if he fails to take all reasonable steps for securing compliance by the company with section 332 of this Decree, or has intentionally caused any default by the company under it.</p> <p>(3) A person guilty of an offence under this section, shall be liable to imprisonment for a term not exceeding 6 months or to a fine of ₦500.</p> |
| Directors' duty to prepare annual accounts. | 334. | <p>(1) In the case of every company, the directors shall in respect of each year of the company, prepare financial statements for the year.</p> <p>(2) Subject to subsection (3) of this section, the financial statements required under subsection (1) of this section shall include -</p> <ul style="list-style-type: none">(a) statement of the accounting policies;(b) the balance sheet as at the last day of the year;(c) a profit and loss account or, in the case of a company not trading for profit, an income and expenditure account for the year;(d) notes on the accounts;(e) the auditors reports;(f) the directors' report;(g) a statement of the source and application of funds;(h) a value added statement for the year;(i) a five-year financial summary; and(j) in the case of holding company, the group financial statements. <p>(3) The financial statements of a private company need not include the matters stated in paragraphs (a), (g), (h) and (i) of subsection (2) of this section.</p> <p>(4) The directors shall at their first meeting after the incorporation of the company, determine to what date in each year financial statements shall be made up, and they shall give notice of the date to the Commission within 14 days of the determination.</p> |

- (5) In the case of a holding company, the directors shall ensure that, except where in their opinion there are good reasons against it, the year of each of its subsidiaries shall coincide with the year of the company.

Form and Content of Company (Individual and Group) Financial Statements.

Form and
content of
individual
financial
statements.
Schedule 2.

335. (1) The financial statements of a company prepared under section 334 of this Decree, shall comply with the requirements of Schedule 2 to this Decree (so far as applicable) with respect to their form and content, and with the accounting standard, laid down in the Statements of Accounting Standards issued from time to time by the Nigerian Accounting Standards Board to be constituted by the Minister after due consultation with such accounting bodies as he may deem fit in circumstances for this purposes provided that such accounting standards do not conflict with the provisions of this Decree or Schedule 2 to this Decree.
- (2) The a balance sheet shall give a true and fair view of the state of affairs of the company as at the end of the year, and the profit and loss account shall give a true and fair view of the profit or loss of the company for the year.
- (3) The statement of the source and application of funds shall provide information on the generation and utilisation of funds by the company during the year.
- (4) The value added statement shall report the wealth created by the company during the year and its distribution among various interest groups such as the employees, the Government, creditors, proprietors and the company.
- (5) The five-year financial summary shall provide a report for a comparison over a period of five years or more of vital financial information.
- (6) Subsection (2) of this section shall override -
- (a) the requirements of Schedule 2 of this Decree; and
- (b) all other requirements of this Decree as to the matters to be included in the accounts of a company or in notes to those accounts; and accordingly the provisions of subsections (7) and (8) of this section shall have effect.
- (7) If the balance sheet or profit and loss account drawn up in accordance with those requirements would not provide sufficient information to comply with subsection (2) of this section, any necessary additional information shall be provided in that balance sheet or profit and loss account, or in a note to the accounts.
- (8) If, owing to special circumstances in the case of any company compliance with any such requirement in relation to the balance sheet or profit and loss account would prevent compliance with subsection (2) of this section, (even if additional information were provided in accordance with subsection (4) of this section, the directors shall depart from that requirement in preparing the balance sheet or profit and loss account (so far as necessary) in order to comply with subsection (2) of this section.
- (9) If the directors depart from any such requirement, particulars of the departure, the reasons for it and its effects shall be given in a note to the accounts.

- (10) Subsections (1) to (9) of this section, shall not apply to group accounts prepared under section 336 of this Decree and subsections (1) and (2) of this section shall not apply to a company's profit and loss account (or require the notes otherwise required in relation to that account) if -
- (a) the company has subsidiaries; and
 - (b) the profit and loss account is framed as a consolidated account dealing with all or any of the subsidiaries of the company as well as the company;
 - (i) complies with the requirements of this Decree relating to consolidated profit and loss account; and
 - (ii) show how much of the consolidated profit and loss for the year is dealt with in the individual financial statements of the company.
- (11) If group financial statements are prepared and advantage is taken of subsection (7) of this section, that fact shall be disclosed in a note to the group financial statements.
- Group financial statements of holding company. 336.
- (1) If at the end of a year a company has subsidiaries, the directors shall, as well as preparing individual accounts for that year, also prepare group financial statements being accounts or statements which deal with the state of affairs and profit or loss of the company and the subsidiaries.
- (2) The provisions of subsection (1) of this section shall not apply if the company is wholly owned subsidiary of another body corporate incorporated in Nigeria.
- (3) A group financial statement may not deal with a subsidiary, if the directors of the company are of the opinion that -
- (a) it is impracticable, or would be of no real value to the members, in view of the insignificant amounts involved; or
 - (b) it would involve expense or delay out of proportion to its value to members of the company; or
 - (c) the result would be misleading, or harmful to the business of the company or any of its subsidiaries; or
 - (d) the business of the holding company and that of the subsidiary are so different that they cannot reasonably be treated as a single undertaking.
- (4) The group financial statements of a company shall consist of a consolidated of -
- (a) balance sheet dealing with the state of affairs of the company and all the subsidiaries of the company; and
 - (b) profit and loss account of the company and its subsidiaries.
- (5) If directors are of the opinion that it is better for the purpose of presenting the same or equivalent information about the state of affairs and profit or loss of the company and its subsidiaries, and that to so present it may be readily appreciated by the members of the company, the group financial statements may be prepared in a form not consistent with subsection (1) of this section and in particular the

group financial statement may consist of -

- (a) more than one set of consolidated financial statements dealing respectively with the company and one group of subsidiaries and with other groups of subsidiaries; or
- (b) separate financial statements dealing with each of the subsidiaries; or
- (c) statements expanding the information about the subsidiaries in individual financial statements of the company, or in any other form.

- (6) The group financial statements may be wholly or partly incorporated in the individual balance sheet and profit and loss account of the holding company.

Form and
content of
group financial
statements
Schedule 2

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- (1) The group financial statements of a holding company shall comply with the requirements of Schedule 2 to this Decree, so far as applicable to group financial statements in the form in which those accounts are prepared with respect to the form and content of those statements and any additional information to be provided by way of notes to those accounts.
- (2) Group financial statements together with any notes thereon shall give a true and fair view of the state of affairs and profit or loss of the company and the subsidiaries dealt with by those statements as a whole.
- (3) Subsection (2) of this section shall override -
 - (a) the requirements of Schedule 2 to this Decree; and
 - (b) all other requirements of this Decree as to the matters to be included in group financial statements or in notes to those statements, and accordingly subsections (4) and (5) of this section shall have effect.
- (4) If group financial statements are not in accordance with the requirements of this Decree by not providing sufficient information in compliance with subsection (2) of this section, any necessary additional information shall be provided in, or in a note to the group financial statements.
- (5) If, owing to special circumstance in the case of any company, compliance with any such requirements in relation to its group financial statements would prevent the statements from complying with subsection (2) of this section, (even if additional information were provided in accordance with subsection (4) the directors may depart from that requirement in preparing the group financial statements).

Meaning of
"holding
company"
"subsidiary"
and "wholly-
owned subsi-
diary"

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- (1) Subject to subsection (4) of this section, a company shall for the purposes of this Decree be deemed to be a subsidiary of another company if -
 - (a) the company -
 - (i) is a member of it and controls the composition of its board of directors; or
 - (ii) holds more than half in nominal value of its equity share capital; or
 - (b) the first-mentioned company is subsidiary of any company which is that other's subsidiary

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- (2) For the purposes of subsection (1) of this section, the composition of the board of directors of a company shall be deemed to be controlled by another company if that other company by the exercise of some power, without the consent or concurrence of any other person, can appoint or remove the holders of all or majority of the directors.
- (3) For purposes of subsection (2) of this section, the other company shall be deemed to have power to appoint a director with respect to which any of the following conditions is satisfied that -
- (a) a person cannot be appointed to it without the exercise in his favour by the other company of such power as is mentioned in this section; or
 - (b) the appointment of a person to the directorship follows necessarily from his appointment as director of the other company; or
 - (c) the directorship is held by the other company itself or by a subsidiary of it.
- (4) In determining whether one company is a subsidiary of another -
- (a) any shares held or power exercisable by the other in a fiduciary capacity shall be treated as not held or exercisable by it;
 - (b) subject to paragraphs (c) and (d) of this subsection, any shares held or power exercisable -
 - (i) by any person as nominee for the other (except where the other is concerned only in a fiduciary capacity); or
 - (ii) by, or by a nominee for, a subsidiary or the other (not being a subsidiary which is concerned only in a fiduciary capacity), shall be treated as held or exercisable by the other;
 - (c) any shares held or power exercisable by any person by virtue of the provisions of any debentures of the first mentioned company or of a trust deed for securing any issue of such debentures shall be disregarded;
 - (d) any shares held or power exercisable by, or by a nominee for, the other or its subsidiary (not being held or exercisable as mentioned in paragraph (c) of this subsection shall be treated as not held or exercisable by the other, if the ordinary business of the other or its subsidiary (as the case may be) includes the lending of money and the shares are held or the power is exercisable as above mentioned by way of security only for the purposes of a transaction entered into in the ordinary course of that business.
- (5) For the purposes of this Decree -
- (a) a company shall be deemed to be the holding company of another, if the other is its subsidiary; and
 - (b) a body corporate shall be deemed to be the wholly-owned subsidiary of another, if it has no member except that other and that other's wholly owned subsidiaries are its or their nominees.

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- (6) In this section, "company" includes any body corporate.
- Additional disclosure required in notes to financial statements. 339. (1) The additional matters contained in Schedule 3 to this Decree shall be disclosed in the company's financial statements for the year; and in that Schedule, where a thing is required to be stated or shown or information is required to be given, it shall be construed to mean that the thing shall be stated or shown, or the information is to be given in a note or those statements.
- Schedule 3. (2) In Schedule 3 to this Decree -
- (a) parts I and II deal respectively with the disclosure of the particulars of the subsidiaries of the company and its shareholders;
 - (b) Part III deals with the disclosure of financial information relating to subsidiaries;
 - (c) Part IV requires a subsidiary company to disclose its ultimate holding company;
 - (d) Part V deals with the emoluments of directors, including emoluments waived, pensions of directors and compensation for loss of office to directors and past directors; and
 - (e) part VI deals with disclosure of the number of the employees of the company who are remunerated at higher rates.
- (3) Whenever it is stated in Schedule 3 to this Decree that this subsection shall apply to certain particulars or information, the particulars or information shall be annexed to the annual return first made by the company after copies of its financial statements have been laid before its shareholders in a general meeting and if a company fails to satisfy an obligation thus imposed, the company and every officer of it who is in default shall be guilty of an offence and liable to a fine of =N=50 and for continued contravention, to a daily default fine of =N=10.
- (4) It shall be the duty of any director of a company to give notice to the company of such matters relating to himself as may be necessary for the purposes of Part V of Schedule 3 to this Decree and this applies to persons who are or have at any time in the preceding 3 years been officers as it applied to directors.
- (5) A person who makes default in complying with the provisions of subsection (4) of this section shall be guilty of an offence and liable to a fine of =N=10 for every day during which the default continues.
- Disclosure of loans in favour of directors and connected persons. 340. (1) The group financial statements of a holding company for a year shall comply with Part I of Schedule 4 to this Decree (so far as applicable) as regards the disclosure of transactions, arrangements and agreements mentioned therein, including loans, quasi loans and other dealings in favour of directors.
- Schedule 4. (2) In the case of a company other than a holding company, its individual accounts shall comply with Part I of Schedule 4 to this Decree (so far as applicable) as regards disclosure matters contained therein.

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- (3) Particulars which are required to be contained in Part I of Schedule 4 to this Decree in any financial statements shall be required in respect of shadow directors as well as a director given by way of notes.
- (4) Where by virtue of subsection (2) or (3) of section 336 of this Decree, a company does not prepare group financial statements for a year, it shall disclose such matters in its individual statements as would have been disclosed in group financial statements.
- (5) The requirements of this section shall apply with such modifications as are necessary to bring them in line with Part 1 of Schedule 4 to this Decree (including with particulars of exceptions in respect of recognised banks) it shall disclose.
- Disclosure of 341. (1) The group financial statements of a holding company for a year shall comply with loans, etc., to officers of the company and statements of amounts outstanding. (2) In the case of a company other than a holding company, its individual accounts shall comply with Part II of Schedule 4 to this Decree (so far as applicable) as regards matters contained therein.
- (3) Subsections (1) and (2) of this section shall not apply in relation to any transaction or agreement made by a recognised bank for any of its officers or for any of the officers of its holding company.
- (4) Particulars required by Part II of Schedule 4 to this Decree to be in any accounts shall be given by way of notes to the accounts.
- (5) Where by virtue of subsection (2) or (3) of section 336 of this Decree, a company does not prepare group financial statements for year, it shall disclose this fact in its individual financial statements as required by subsection (1) of this section.

Directors' Report.

- Directors' 342. (1) In the case of every company, there shall be prepared in respect, of each year a report. report.
- (a) containing a fair view of the development of the business of the company and its subsidiaries during the year and of their position at the end of it; and
- (b) stating the amount (if any) which they recommend should be paid as dividend and the amount (if any) which they propose to carry to reserves.
- (2) The directors' report shall state the names of the persons who, at any time during the year, were directors of the company, and the principal activities of the company and its subsidiaries in the course of the year and any significant change in those activities in the year.
- (3) The report shall also state the matters, and give the particulars required by Part I of Schedule 5 to this Decree.
- (4) Part II of Schedule 5 to this Decree shall apply as regards the matters to be stated in the report of the directors in the circumstances specified therein.

- (5) Part III of Schedule 5 to this Decree shall apply as regards the matters to be stated in the directors' report relative to the employment, training and advancement of disabled persons, the health, safety and welfare at work of the employees of the company and the involvement of employees in the affairs, policy and performance of the company.
- (6) In respect of any failure to comply with the requirements of this Decree as to the matters to be stated, and the particulars to be given, in the directors' report, every person who was a director of the company immediately before the end of the period prescribed for laying and delivering financial statements shall be guilty of an offence and liable on conviction to a term of imprisonment for not more than 6 months or to a fine of ₦500.
- (7) In proceedings for an offence under subsection (6) of this section, it shall be a defence for the person to prove that he took all reasonable steps for securing compliance with the requirements in question.

Procedure on Completion of Financial Statements.

Signing of
balance sheet
and documents
to be annexed
thereto.

343. (1) A company's balance sheet and every copy of it which is laid before the company in general meeting or delivered to the Commission shall be signed on behalf of the board by two of the directors of the company.
- (2) If a copy of the balance sheet -
 - (a) is laid before the company or delivered to the Commission without being signed as required by this section; or
 - (b) not being a copy so laid or delivered, is issued, circulated or published in a case where the balance sheet has not been signed as so required or where (the balance sheet having been so signed) the copy does not include a copy of the signatures or signature as the case may be, the company and every officer of it who is in default shall be guilty of an offence and liable on conviction to a fine of ₦300.
- (3) A company's profit and loss account and so far as not incorporated in its individual balance sheet or profit and loss account, any group accounts of a holding company shall be annexed to the balance sheet, and the auditors' report and the directors' report shall also be attached to the balance sheet.
- (4) The balance sheet and the profit and loss account annexed to it shall be approved by the board of directors and signed on their behalf by two directors authorised to do so.

Persons entitled
to receive finan-
cial statements
as of right.

344. (1) In the case of every company, a copy of the company's financial statements for the year shall, not less than 21 days before the date of the meeting at which they are to be laid in accordance with section 345 of this Decree be sent to each of the following persons -
 - (a) every member of the company (whether or not entitled to receive notice of general meetings).
 - (b) every holder of the company's debentures, (whether or not so entitled); and
 - (c) all persons other than members and debenture holders, being persons so entitled.

- (2) In the case of a company not having a share capital, subsection (1) of this section shall not require a copy of the financial statements to be sent to a member of the company who is not entitled to receive notices of general meetings of the company, or to a holder of the company's debenture who is not so entitled.
- (3) Subsection (1) of this section shall not require copies of the financial statements to be sent to -
- (a) a member of the company or a debenture holder, being in either case a person who is not entitled to receive notices of general meetings, and of whose address the company is unaware; or
 - (b) more than one of the joint holders of any shares or debentures none of whom are entitled to receive such notices; or
 - (c) those who are not so entitled in the case of joint holders of shares or debentures some of whom are not entitled to receive such notices.
- (4) If copies of the financial statements are sent less than 21 days before the date of the meeting, it shall, notwithstanding that fact, be deemed to have been duly sent if it is so agreed by all the members entitled to attend and vote at the meeting.
- (5) If default is made in complying with subsection (1) of this section, the company and every officer of it who is in default shall be guilty of an offence and is liable to a fine of ₦250.

Directors' duty to lay and deliver financial statements.

345. (1) In respect of each year, the directors shall at a date not later than 18 months after incorporation of the company and subsequently once at least in every year, lay before the company in general meeting copies of the financial statements of the company made up to a date not exceeding nine months previous to the date of the meeting.
- (2) The auditors' report shall be read before the company in general meeting, and be open to the inspection of any member of the company.
- (3) In respect of each year, the directors shall deliver with the annual return to the Commission a copy of the balance sheet, the profit and loss account and the notes on the statements which were laid before the general meeting as required by this section.
- (4) In the case of an unlimited company, the directors shall not be required by subsection (3) of this section to deliver a copy of the accounts if -
- (a) at no time during the accounting reference period has the company been, to its knowledge, the subsidiary of a company that was then limited and at no such time, to its knowledge have there been held or been exercisable, by or on behalf of two or more companies that were then limited, shares or powers which, if they had been held or been exercisable by one of them, would have made the company its subsidiary; and
 - (b) at no such time has the company been the holding company of a company which was then limited.

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- (5) References in this section to a company that was limited at a particular time are to a body corporate (under whatever law incorporated) the liability of whose members was at that time limited.
- Penalty for non-compliance with section 345. 346. (1) If in a year any of the requirements of section 345 (1) or (3) of this Decree is not complied with by any company every person who immediately before the end of that period was a director of the company shall in respect of each of those subsections which is not so complied with, be guilty of an offence and liable to a daily default fine of =N=50 in the case of a small company, a company limited by guarantee or an unlimited company, and =N=500 in the case of any other company.
- (2) If a person is charged with an offence in respect of any of the requirements of subsection (1) or (3) of section 345 of this Decree, it shall be a defence for him to prove that he took all reasonable steps for securing that those requirements be complied with before the end of the period allowed for laying and delivering accounts.
- (3) In proceedings under this section with respect to a requirement to lay a copy of a document before a company in general meeting, or to deliver a copy of a document to the Commission, it shall not be a defence to prove that the document in question was not in fact prepared as required by this Part of this Decree.
- Default order in case of non-compliance. 347. (1) If -
- (a) in respect of a year, any of the requirements of subsections (1) and (3) of section 345 of this Decree has not been complied with by a company before the end of the period allowed for laying and delivering financial statements; and
- (b) the directors of the company fail to make good the default within 14 days after the service of a notice on them requiring compliance, the court may on application by any member or creditor of the company or by the Commission make an order directing the directors (or any of them) to make good the default within such time as may be specified in the order.
- (2) The court's order may provide that all costs of and incidental to the application shall be borne by the directors.
- (3) Nothing in this section shall affect the provisions of section 346 of this Decree.
- Penalty for laying or delivering defective financial statements. 348. (1) If any financial statements of a company (other than its group financial statements) of which a copy is laid before the shareholders in general meeting or delivered to the Commission do not comply with the requirement of this Decree as to the matters to be included in, or in a note to, those financial statements, every person who at the time when the copy is so laid or delivered is a director of the company shall be guilty of an offence and in respect of each offence, liable to a fine of =N=100.
- (2) If any group financial statements of which a copy is laid before a company in a general meeting or delivered to the Commission do not comply with section 345 (4) to (7) or section 346 of this Decree and with the other requirements of this Decree as to the matters to be included in or in a note to those financial statements, every person who at the time when the copy was so laid or delivered was a director of the company shall be guilty of an offence and liable to a fine of =N=250.

- (3) In proceedings against a person for an offence under this section, it shall be a defence for him to prove that he took all reasonable steps for securing compliance with the requirements in question.

Shareholder's
right to
obtain copies
of financial
statements.

349. (1) Any member of a company, whether or not he is entitled to have sent to him copies of the company's financial statements, and any holder of the company's debentures (whether or not so entitled) shall be entitled to be furnished (on demand and without charge) with a copy of the company's last financial statements.
- (2) If, when a person makes a demand for a document with which he is entitled by this section to be furnished, default is made in complying with the demand within 7 days after its making, the company and every officer of it who is in default shall be guilty of an offence and liable to a daily default fine of =N=100, unless it is proved that the person has already made a demand for, and been furnished with a copy of the document.

Modified Financial Statements.

Entitlement
to deliver
financial
statements in
modified form.

350. (1) In certain cases a company's directors may, in accordance with Part I of Schedule 7 to this Decree, deliver modified financial statements in respect of a year as a small company.
- (2) For the purposes of sections 351 to 353 and Schedule 7 to this Decree, "deliver" means deliver to the Commission.

Qualification
of a small
company.

351. (1) A company qualifies as a small company in a year if for that year the following conditions are satisfied -
- (a) it is a private company having a share capital;
 - (b) the amount of its turnover for that year is not more than =N=2 million or such amount as may be fixed by the Commission;
 - (c) its net assets value is not more than =N=1 million or such amount as may be fixed by the Commission;
 - (d) none of its members is an alien;
 - (e) none of its members is a Government or a Government corporation or agency or its nominee, and
 - (f) the directors between them hold not less than 51 percent of its equity share capital.
- (2) In applying subsection (1) of this section, to a period which is a company's year but not in fact a year, the maximum figures for turnover in paragraph (b) of that subsection shall be proportionately adjusted.

Modified
individual
financial
statements.
so modified.

352. (1) The directors of a company may (subject to section 353 of this Decree where the company has subsidiaries) deliver individual financial statements modified as for a small company in the cases specified in subsection (2) and (3) of this section; and Part I of Schedule 7 shall apply with respect to the delivery of financial statements
- (2) In respect of the company's first year the directors may deliver financial statements

modified as for a small company, if in that year it qualifies as small.

- (3) The directors may in respect of the company's year subsequent to the first -
- (a) deliver financial statements modified as for a small company if the company qualifies as small and it also so qualified in the preceding year;
 - (b) deliver financial statements modified as for a small company (although not qualifying in that year as small), if in the preceding year it so qualified and the directors were entitled to deliver financial statements so modified in respect of that year;
 - (c) deliver financial statements modified as for small company if, in that year the company qualifies as small and the directors were entitled under paragraph (b) of this subsection to deliver financial statements so modified for the preceeding year (although the company did not in that year qualify as small).

Modified
financial
statements
of holding
company

- 353 (1) This section shall apply to a holding company where in respect of a year section 336 of this Decree requires the preparation of group financial statements for the company and its subsidiaries.
- (2) The directors of the holding company may not under section 352 of this Decree deliver financial statements modified as for a small company, unless the group (that is to say, the holding company and its subsidiaries together) is in that year a small group and the group is small if it would so qualify under section 351 of this Decree (applying that section as directed by subsection (3) and (4) of this section, if it were all one company).
- (3) The figures to be taken into account in determining whether the group is small shall be the group account figures, that is -
- (a) where the group financial statements are prepared as consolidated financial statements the figures for turnover and balance sheet total; and
 - (b) where the group financial statements are not prepared as consolidated financial statements, the corresponding figures given in the group financial statements, with such adjustment as would have been made if the statements had been prepared in consolidated form; aggregate in either case with the relevant figures for the subsidiaries (if any) omitted from the group accounts (excepting those for any subsidiary omitted under section 336 (3) (a) of this Decree on the ground of impracticability).
- (4) In the case of each subsidiary omitted from the group financial statements, the figures relevant as regards turnover, and balance sheet total shall be those which are included in the financial statements of that subsidiary prepared in respect of its relevant year (with such adjustment as would have been made if those figures had been included in group financial statements prepared in consolidated form).
- (5) For the purposes of subsection (4) of this section, the relevant year of the subsidiary shall be -
- (a) if its year ends with that of the holding company to which the group financial statements relate, that year; and

- (b) if not, the subsidiary's year ending last before the end of the year of the holding company.
- (6) If the directors are entitled to deliver modified financial statements, they may also deliver modified group financial statements and such group financial statements -
 - (a) if consolidated, may be in accordance with Part II of Schedule 7 (while otherwise comprising or corresponding with group financial statements prepared under section 336 of this Decree); and
 - (b) if not consolidated, may be such as (together with any notes) give the same or equivalent information as required by paragraph (a) of this subsection, and Part III to the Schedule to this Decree shall apply to modified group financial statements whether consolidated or not.

Publication of Financial Statements.

Publication
by a company
of full indivi-
dual or group
financial
statements.

- 354
- (1) This section shall apply to the publication by a company of full individual or group financial statements, that is to say, the statements required by section 345 of this Decree to be laid before the company in general and delivered to the Commission including the directors' report, unless dispensed with under paragraph 3 of Schedule 6 to this Decree, but does not apply to interim financial statements.
 - (2) If a company publishes individual financial statements (modified or other) for a year, it shall publish with them the relevant auditors report.
 - (3) If a company required by section 336 of this Decree to prepare group financial statements for a year, publishes individual financial statements for that year, it shall also publish with them its group financial statements (which may be modified financial statements but only if the individual financial statements are modified).
 - (4) If a company publishes group financial statements (modified or not) otherwise than together with its individual financial statements, it shall publish with them the relevant auditors' report.
 - (5) References in this section to the relevant auditors' report are to the auditors' report under section 359 of this Decree or, in the case of modified financial statements (individual or group), the auditors' special report under paragraph 10 of Schedule 7 to this Decree.
 - (6) A company which contravenes any provision of this section and any officer of it who is in default, shall be guilty of an offence and liable to a daily default fine of =N=100.

Publication
of abridged
financial
statements.

- 355.
- (1) This section shall apply to the publication by a company abridged financial statements, that is to say, any balance sheet or profit and loss account relating to a year of the company or purporting to deal with any such year, otherwise than as part of full financial statements (individual or group) to which section 354 of this Decree applies.
 - (2) The reference in subsection (1) of this section to a balance sheet of profit and loss account, in relation to financial statements published by a holding company, includes an account in any form purporting to be a balance sheet of profit and loss account for the group consisting of the holding company and its subsidiaries.

- (3) If the company publishes abridged financial statements, it shall publish with those statements, a statement indicating -
- (a) that the statements are not full financial statements;
 - (b) whether full individual or full group financial statements, according as abridged statements deal solely with the company's own affairs or with the affairs of the company and any subsidiaries have been delivered to the Commission or, in the case of an unlimited company exempted under section 345 (4) of this Decree from the requirement to deliver financial statements, that the company is so exempted;
 - (c) whether the company's auditors have made a report under section 359 of this Decree on the company's financial statements for any year with which the abridged financial statements purport to deal; and
 - (d) whether any report so made was unqualified (meaning that it was a report, without qualification, to the effect that in the opinion of the person making it, the company's financial statements had been properly prepared).
- (4) Where a company publishes abridged financial statements, it shall not publish with those statements any such report of the auditors as is mentioned in subsection (3) (c) of this section.
- (5) A company which contravenes any provision of this section, and any officer of it who is in default, shall be guilty of an offence and liable to a daily default fine of ₦100.

Supplementary.

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| Power to alter accounting requirements. | 356. | <p>(1) The Minister may after consultation with the Nigerian Accounting Standard Board by regulations in a statutory instrument -</p> <ul style="list-style-type: none"> (a) add to the classes of documents - <ul style="list-style-type: none"> (i) to be comprised in a company's financial statements for a year to be laid before the company in general meeting as required by section 345, of this Decree; or (ii) to be delivered to the Commission under that section, and make provisions as to the matters to be included in any document to be added to either class; (b) modify the requirements of this Decree as to the matters to be stated in a document of any such class; or (c) reduce the classes of documents to be delivered to the Commission under section 343 of this Decree. |
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CHAPTER 2-AUDIT.

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| Appointment of auditors. | 357. | <p>(1) Every company shall at each annual general meeting appoint an auditor or auditors to audit the financial statements of the company, and to hold office from the conclusion of that, until the conclusion of the next, annual general meeting.</p> |
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- (2) At any annual general meeting a retiring auditor, however appointed shall be re-appointed without any resolution being passed unless -
- (a) he is not qualified for re-appointment; or
 - (b) a resolution has been passed at that meeting appointing some other person instead of him or providing expressly that he shall not be re-appointed; or
 - (c) he has given the company notice in writing of his unwillingness to be re-appointed:

Provided that where notice is given of an intended resolution to appoint some person or persons, in place of a retiring auditor, and by reason of the death, incapacity or disqualification of that person or of all those persons, as the case may be, the resolution cannot be proceeded with, the retiring auditor shall not be automatically re-appointed by virtue of this subsection.

- (3) Where at an annual general meeting, no auditors are appointed or re-appointed, the directors may appoint a person to fill the vacancy.
- (4) The company shall, within one week of the power of the directors under subsection (3) of this section becoming exercisable, give notice of that fact to the Commission; and if a company fails to give notice as required by this subsection, the company and every officer of the company who is in default shall be guilty of an offence and liable to a fine of ₦100 for every day during which the default continues.
- (5) Subject as hereinafter provided, the first auditors of a company may be appointed by the directors at any time before the company is entitled to commence business and auditors so appointed shall hold office until the conclusion of the next annual general meeting:

Provided that -

- (a) the company may at a general meeting remove any such auditors and appoint in their place any other person who have been nominated for appointment by any member of the company and of whose nomination notice has been given to the members of the company not less than 14 days before the date of the meeting; and
 - (b) if the directors fail to exercise their powers under this subsection; the company may, in a general meeting convened for that purpose appoint the first auditors and thereupon the said powers of the directors shall cease.
- (6) The directors may fill any casual vacancy in the office of auditor but while any such vacancy continues, the surviving or continuing auditor or auditors, if any, may act.
358. (1) A person shall not be qualified for appointment as an auditor of a company for the purpose of this Decree, unless he is a member of a body of accountants in Nigeria established from time to time by an Act or Decree.
- (2) None of the following persons shall be qualified for appointment as auditor of a company -
- (a) an officer or servant of the company;

- (b) a person who is a partner of or in the employment of an officer or servant of the company;
 - (c) a person or firm who or which offers to the company professional advice in a consultancy capacity in respect of secretarial, taxation or financial management;
 - (d) a body corporate; and for this purpose an auditor of a company shall not be regarded as either an officer or a servant of it.
- (3) A person shall also not qualify for appointment as an auditor of a company if he is, under subsection (6) of this section, disqualified for appointment as auditor of any other body corporate which is that company's subsidiary or holding company or a subsidiary of that company's holding company, or would be so disqualified if the body corporate were a company.
- (4) Notwithstanding subsections (1), (2) and (3), of this section, a firm is qualified for appointment as auditor of a company if, but only if, all the partners are qualified for appointment as auditors of it.
- (5) No person shall act as auditor of a company at a time when he knows that he is disqualified for appointment to that office and if an auditor of a company to his knowledge becomes so disqualified during his term of office, he shall thereupon vacate his office and give notice in writing to the company that he has vacated it by reason of that disqualification.

- (6) A person who acts as auditor in contravention of subsection (5), of this section or fails without reasonable excuse to give notice of vacating his office as required by that subsection, shall be guilty of an offence and liable to a fine of ₦500 and, for continued contravention to a daily default fine of ₦50.

Auditors'
report

359

- (1) The auditors of a company shall make a report to its members on the accounts examined by them, and on every balance sheet and profit and loss account, and on all group financial statements copies of which are to be laid before the company in a general meeting during the auditors' tenure of office.
- (2) The auditors' report which shall be countersigned by a legal practitioner shall state the matters set out in Schedule 6 to this Decree.
- (3) In addition to the report made under subsection (1) of this section, the auditor shall in the case of a public company also make a report to an audit committee which shall be established by the public company.
- (4) The audit committee referred to in subsection (2) of this section, shall consist of an equal number of directors and representatives of the shareholders of the company (subject to a maximum number of six members) and shall examine the auditors report and make recommendations thereon to the annual general meeting as it may think fit:

Provided, however, that such member of the audit committee shall not be entitled to remuneration and shall be subject to re-election annually.

- (5) Any member may nominate a shareholder as a member of the audit committee by giving notice in writing of such nomination to the secretary of the company at least 21 days before the annual general meeting.

- (6) Subject to such other additional functions and powers that the company's articles of association may stipulate, the objectives and functions of the audit committee shall be to -
- (a) ascertain whether the accounting and reporting policies of the company are in accordance with legal requirements and agreed ethical practices;
 - (b) review the scope and planning of audit requirements;
 - (c) review the findings on management matters in conjunction with the external auditor and departmental responses thereon;
 - (d) keep under review the effectiveness of the company's systems of accounting and internal control;
 - (e) make recommendations to the Board in regard to the appointment, removal and remuneration of the external auditors of the company; and
 - (f) authorise the internal auditor to carry out investigations into any activities of the company which may be of interest or concern to the committee.

Auditors'
duties and
powers.

360. (1) It shall be the duty of the company's auditors, in preparing their report to carry out such investigations as may enable them to form an opinion as to the following matters whether -
- (a) proper accounting records have been kept by the company and proper returns adequate for their audit have been received from branches not visited by them;
 - (b) the company's balance sheet and (if not consolidated) its profit and loss account are in agreement with the accounting records and returns.
- (2) If the auditors are of opinion that proper accounting records have not been received from branches not visited by them, or if the balance sheet and (if not consolidated) the profit and loss account are not in agreement with the accounting records and returns, the auditors shall state that fact in their report.
- (3) Every auditor of a company shall have a right of access at all time to the company's books, accounts and vouchers, and entitled to require from the company's office such information and explanations as he thinks necessary for the performance of the auditor's duties.
- (4) If the requirements of Part V and VI of Schedule 3 and Parts I to III of Schedule 4 to this Decree are not complied with in the accounts, it shall be the auditors duty to include in their report, so far as they are reasonably able to do so, a statement giving the required particulars.
- (5) It shall be the auditors' duty to consider whether the information given in the directors' report for the year for which the accounts are prepared is consistent with those accounts; and if they are of opinion that it is not, they shall state that fact in their report.

Remuneration of auditors.	361.	(1)	The remuneration of the auditors of a company - (a) in the case of an auditor appointed by the directors may be fixed by the directors; or (b) shall subject to the foregoing paragraph, be fixed by the company in general meeting or in such manner as the company in general meeting may determine. (2) For the purposes of subsection (7) of this section "remuneration" include sums paid by the company in respect of the auditors expenses.
Removal of auditors.	362.	(1)	A company may by ordinary resolution remove an auditor before the expiration of his term of office, notwithstanding anything in any agreement between it and him. (2) Where a resolution removing an auditor is passed at a general meeting of a company, the company shall within 14 days give notice of that fact in the prescribed form to the Commission and if a company fails to give the notice required by this subsection, the company and every officer of it who is in default shall be guilty of an offence and liable to a daily default fine of =N=100. (3) Nothing in this section shall be taken as depriving a person removed under it of compensation or damages payable to him in respect of the termination of his appointment as auditor or of any appointment terminating with that as auditor.
Auditors' right to attend company's meetings.	363.	(1)	A company's auditors shall be entitled to attend any general meeting of the company and to receive all notices of and other communications relating to any general meeting which a member of the company is entitled to receive and to be heard at any general meeting which they attend on any part of the business of the meeting which concerns them as auditor. (2) An auditor of a company who has been removed shall be entitled to attend - (a) the general meeting at which his term of office would otherwise have expired; and (b) any general meeting at which it is proposed to fill the vacancy caused by his removal; and to receive all notices of, and other communications relating to, any such meeting which any member of the company entitled to receive, and to be heard at any such meeting which he attends on any part of the business of the meeting which concerns him as former auditor of the company.
Supplementary provisions relating to auditors.	364.	(1)	A special notice shall be required for a resolution at a general meeting of a company - (a) appointing as auditor a person other than a retiring auditor; or (b) filling a casual vacancy in the office of auditor; or (c) reappointing as auditor a retiring auditor who was appointed by the directors to fill a casual vacancy; or (d) removing an auditor before the expiration of his term of office.

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- (2) On receipt of notice of such an intended resolution as is mentioned in subsection (1) the company shall forthwith send a copy of it -
- (a) to the person proposed to be appointed or removed, as the case may be;
 - (b) in a case within subsection (1) (a), of this section to the retiring auditors; and
 - (c) where, in a case within subsection (1) (b) or (c) of this section the casual vacancy was caused by the resignation of an auditor, to the auditor who resigned.
- (3) Where notice is given of such a resolution as is mentioned in subsection (1) (a) or (d) of this section and the retiring auditor or (as the case may be the auditor proposed to be removed makes with respect to the intended resolution representations in writing to the company not exceeding a reasonable length) and requests their notification to members of the company, the company shall (unless the representations are received by it too late for it to do so) -
- (a) in any notice of the resolution given to members of the company state the fact of the representations having been made; and
 - (b) send a copy of the representations to every member of the company to whom notice of the meeting is or has been sent.
- (4) If a copy of any such representations is not sent out as required by subsection (3) of this section because they were received too late or because of the company's default, the auditor may (without prejudice to his right to be heard orally) require that the representations shall be read out at the meeting.
- (5) Copies of the representations need not be sent out and the representations need not be read out at the meeting if, on application either of the company or of any other persons claiming to be aggrieved, the court is satisfied that the rights conferred by this section are being abused to secure needless publicity for defamatory matter; and the court may order the company's costs on the application to be paid in whole or in part by the auditor, notwithstanding that he is not a party to the application.
- Resignation of auditors. 365. (1) An auditor of a company may resign his office by depositing a notice in writing to that effect at the company's registered office; and any such notice shall operate to bring his term of office to an end on the date of which the notice is deposited, or on such later date as may be specified in it.
- (2) An auditor's notice of resignation shall not be effective unless it contains either -
- (a) a statement to the effect that there are no circumstances connected with his resignation which he considers should be brought to the notice of the members or creditors of the company; or
 - (b) a statement of any such circumstances as are mentioned above.
- (3) Where a notice under this section is deposited at a company's registered office, the company shall within 14 days send a copy of the notice -
- (a) to the Commission; and

-
- (b) if the notice contained a statement under subsection (2) (b) of this section, to every person who under section 344 of this Decree is entitled to be sent copies of the financial statements.
- (4) The company or any person claiming to be aggrieved may, within 14 days of the receipt by the company of a notice containing a statement under subsection (2) (b) of this section, apply to the court for an order under subsection (5) of this section.
- (5) If on such an application the court is satisfied that the auditor is using the notice to secure needless publicity for defamatory matter, it may, by order, direct that copies of the notice need not be sent out; and the court may further order the company's costs on the application to be paid in whole or in part by the auditor, notwithstanding that he is not a party to the application.
- (6) The company shall, within 14 days of the court's decision, send to the persons mentioned in subsection (3) of this section -
- (a) if the court makes an order under subsection (5) of this section, a statement setting out the effect of the order.
- (b) if not, a copy of the notice containing the statement under subsection (2) (b) of this section.
- (7) If default is made in complying with the provisions of subsection (3) or (6) of this section, the company and every officer of it who is in default shall be guilty of an offence and liable to a daily default fine of ₦100.
- Right of resigning auditor to requisition company meetings 366.
- (1) Where an auditor's notice of resignation contains a statement under section 365 (2) (b) of this Decree, there may be deposited with the notice a requisition signed by the auditor calling on the directors of the company forthwith duly to convene an extra-ordinary general meeting of the company for the purpose of receiving and considering such explanation of the circumstances connected with his resignation as he may wish to place before the meeting.
- (2) Where an auditor's notice or resignation contains such a statement, the auditor may request the company to circulate to its members before -
- (a) the general meeting at which his term of office would otherwise have expired; or
- (b) any general meeting at which it is proposed to fill the vacancy caused by his resignation or convened on his requisition, a statement in writing (not exceeding a reasonable length of the circumstances connected with his resignation.
- (3) If a resigning auditor requests the circulation of a statement by virtue of subsection (2) of this section, the company shall (unless the statement is received by it too late for it to comply) -
- (a) in any notice of the meeting given to members of the company state the fact of the statement having been made; and
- (b) send a copy of the statement to every member of the company to whom notice of the meeting is or has been sent.

- (4) If the directors do not within 21 days from the date of the deposit of a requisition under this section proceed duly to convene a meeting for a day not more than 28 days after the date on which the notice convening the meeting is given, every director who fails to take all reasonable steps to secure that a meeting is convened as mentioned above shall be guilty of an offence and liable to a fine of ₦500.
- (5) If a copy of the statement mentioned in subsection (2) of this section is not sent out as required by subsection (3) of this section because it was received too late or because of the company's default, the auditor may (without prejudice to his right to be heard orally) require that the statement shall be read out at the meeting.
- (6) Copies of a statement need not be sent out and the statement need not be read out at the meeting if, on the application either of the company or of any other person who claims to be aggrieved, the court is satisfied that the rights conferred by this section are being abused to secure needless publicity for defamatory matter; and the court may order the company's costs on such an application to be paid in whole or in part by the auditor, notwithstanding that he is not a party to the application.
- (7) An auditor who has resigned his office shall be entitled to attend any such meeting as is mentioned in subsection (2) (a) or (b) of this section and to receive all notices of and other communications relating to any such meeting which any member of the company is entitled to receive, and to be heard at any such meeting which concerns him as former auditor of the company.

Powers of
auditors in
relation to
subsidiaries.

367. (1) Where a company has a subsidiary, then -
 - (a) if the subsidiary is a body corporate incorporated in Nigeria it shall be the duty of the subsidiary and its auditors to give the auditors of the holding company such information and explanation as those auditors may reasonably require for the purposes of their duties as auditors of the holding company;
 - (b) in any other case, shall be the duty of the holding company, if required by its auditors to do so, to take all such steps as are reasonably open to it to obtain from the subsidiary such information and explanation as are mentioned above.
- (2) If a subsidiary or holding company fails to comply the provisions of subsection (1) of this section, the subsidiary or holding company and every officer of it who is in default shall be guilty of an offence and liable to a fine; and if an auditor fails without reasonable excuse to comply with paragraph (a) of the subsection, he shall be guilty of an offence and so liable.

Liability of
auditors for
negligence.

368. (1) A company's auditor shall in the performance of his duties, exercise all such care diligence and skill as is reasonably necessary in each particular circumstances.
- (2) Where a company suffers loss or damage as a result of the failure of its auditor to discharge the fiduciary duty imposed on him by subsection (1) of this section, the auditor shall be liable for negligence and the directors may institute an action for negligence against him in the court.
- (3) If the directors fail to institute an action against the auditor under subsection (2) of this section, any member may do so after the expiration of the thirty days notice to the company of his intention to institute such action.

- False statement to auditors. 369. (1) An officer of a company commits an offence if he knowingly or recklessly makes to a company's auditors a statement (whether written or oral) which -
- (a) conveys or purports to convey any information or explanation which the auditors require, or are entitled to require, as auditors of the company; and
- (b) is misleading, false or deceptive in a material particular.
- (2) A person guilty of an offence under this section shall be liable to imprisonment for one year or to a fine of ₦500 or both.

PART XII - ANNUAL RETURNS.

Annual return by company limited by shares or guarantee. 370. Every company shall, once at least in every year, make and deliver to the Commission an annual return in the form, and containing the matters specified in sections 371, 372 or 373 of this Decree as may be applicable:

Provided that a company need not make a return under this section either in the year of its incorporation or, if it is not required by section 213 of this Decree to hold an annual general meeting during the following year, in that year.

Annual return by company having shares other than small company. Schedule 8. 371. (1) The annual return by a company having shares other than a small company shall contain with respect to the registered office of the company, registers of members and debenture holders, shares and debentures, indebtedness, past and present members and directors and secretary, the matters specified in Part I of Schedule 8 to this Decree, and the said return shall be in the form set out in Part II of that schedule or as near to it as circumstances admit.

(2) Where the company has converted any of its shares into stock and given notice of the conversion to the Commission, the list referred to in paragraph 5 of Part I of Schedule 8 to this Decree shall state the amount of stock held by each of the existing members instead of the amount of shares and the particulars relating to shares required by that paragraph.

(3) The return may, in any year, if the return for either of the two immediately preceeding years has given as at the date of that return the full particulars required by the said paragraph 5 of Schedule 8 to this Decree, give only such of the particulars required by that paragraph as relate to persons ceasing to be or becoming members since the date of the last return and to shares transferred since that date in the amount of stock held by a member.

Annual return by small company. Schedule 9. 372. The annual return by a small company shall contain the matters specified in Part I of Schedule 9 to this Decree and the return shall be in the form set out in Part II of that Schedule or as near to it as circumstances admit.

Annual return by company limited by guarantee. Schedule 10. 373. (1) The annual return by a company limited by guarantee shall be in the form prescribed in Schedule 10 to this Decree or as near to it as circumstances admit.

(2) There shall be annexed to the return a statement containing particulars of the total amount of the indebtedness of the company in respect of all mortgages and charges which are required to be registered with the Commission under this Decree.

Time for completion of annual return.	374.		The annual return shall be completed within 42 days after the annual general meeting for the year, whether or not that meeting is the first or only ordinary general meeting, of the company in that year, and the company shall forthwith forward to the Commission a copy signed both by a director and by the secretary of the company.
Documents to be annexed to annual return.	375.	(1)	Subject to the provisions of section 377 of this Decree, there shall be annexed to the annual return - (a) a written copy, certified both by a director and by the secretary of the company to be a true copy, of every balance sheet and profit and loss account laid before the company in general meeting held in the year to which the return relates (including every document required by law to be annexed to the balance sheet); and (b) a copy certified as aforesaid, of the report of the auditors on, and of the report of the directors accompanying, each such balance sheets.
		(2)	If any such balance sheet as is mentioned in subsection (1) of this section or document required by law to be annexed does not comply with the requirements of the law as in force at the date of the audit with respect to the form of balance sheets or documents aforesaid, as the case may be, there shall be made such additions to and corrections in the copy as would have been required to be made in the balance sheet or document in order to comply with the requirements, and the fact that the copy has been so amended shall be stated on it.
Certificates by private company and small company in annual return.	376.	(1)	A private company shall send with the annual return required by section 371, 372 or 373 of this Decree a certificate signed both by a director and by the secretary of the company that the company has not, since the date of last return, or, in the case of a first return since the date of the incorporation of the company, issued any invitation to the public to subscribe for any shares or debentures of the company, and, where the annual return discloses the fact that the number of members of the company exceeds 50, also a certificate so signed that the excess consists wholly of persons who under subsection (3) of section 22 of this Decree are not included in reckoning the number of 50.
		(2)	A small company shall in addition to the certificate required under subsection (1) of this section, send with the annual return a certificate signed by a director and the secretary that - (a) it is a private company limited by shares; (b) the amount of its turn-over for that year is not more than =N=2 million or such amount as may be fixed by the Commission; (c) its net assets value is not more than =N=1 million or such amount as may be fixed by the Commission; (d) none of its members is an alien; (e) none of its members is a Government, a Government agent or nominee; and (f) the directors among them hold not less than 51 percent of the equity share capital of the company.

Exception in certain cases of unlimited companies and small companies from requirements of section 375

377. (1) An unlimited company shall be exempted from the requirements imposed by section 375 of this Decree as to documents to be annexed to the annual return if, but only if -

(a) at no time during the period to which the return relates has it been to its knowledge, the subsidiary of a company that was then limited and at no such time to its knowledge, have there been held or exercisable by or on behalf of two or more companies that were limited, shares or powers which had they been held or exercisable by one of them, would have made the company its subsidiary;

(b) at no such time has it been the holding company of a company that was then limited.

(2) A small company shall also be exempted from the requirements imposed by section 375 of this Decree provided that it complies with the provision of section 351 of this Decree.

Penalty for non-compliance with sections 370 to 376.

378. (1) If a company required to comply with any of the provisions of sections 370 to 376 of this Decree fails to do so, the company and every director or officer of the company who is in default shall be guilty of an offence and liable to a fine of ₦1,000 in the case of a public company and ₦100 in the case of a private company.

(2) For the purposes of subsection (1) of this section, "officer" includes any person in accordance with those directions or instructions the directors of the company are accustomed to act.

PART XIII - DIVIDENDS AND PROFITS.

Declaration of dividends and payment of interim dividend.

379. (1) A company may, in general meeting, declare dividends in respect of any year or other period only on the recommendation of the directors.

(2) The company may from time to time pay to the members such interim dividend as appear to the directors to be justified by the profits of the company.

(3) The general meeting shall have power to decrease the amount of dividend recommended by the directors, but shall have no power to increase the recommended amount.

(4) Where the recommendation of the directors of a company with respect to the declaration of a dividend is varied in accordance with subsection (3) of this section by the company in general meeting, a statement to that effect shall be included in the relevant annual return.

(5) Subject to the provisions of this Decree, dividends shall be payable to the shareholders only out of the distributable profits of the company.

Subject to the company being able to pay its debts as they fall due, the company may pay dividends out of the following profits -

(a) profits arising from the use of the company's property although it is a wasting assets.

		(b)	revenue reserves;
		(c)	realised profit on a fixed asset sold, but where more than one asset is sold, the net realised profit on the assets sold.
Restriction on declaration and payment of dividends.	381.		A company shall not declare or pay dividend if there are reasonable grounds for believing that the company is or would be, after the payment, unable to pay its liabilities as they become due.
Unclaimed dividends.	382.	(1)	Where dividends are returned to the company unclaimed, the company shall send a list of the names of the persons entitled with the notice of the next annual general meeting to the members.
		(2)	After the expiration of 3 months of the notice mentioned in subsection (1) of this section, the company may invest the unclaimed dividend of this section for its own benefit in an investment outside the company and no interest shall accrue on the dividends against the company.
		(3)	Where dividends have been sent to members and there is an omission to send to some members due to the fault of the company, the dividends shall earn interest at the current bank rate from three months after the date on which they ought to have been posted.
		(4)	For the purpose of liability, the date of posting the dividend warrant shall be deemed to be the date of payment and proof of whether it has been sent is a question of fact.
Reserve and capitalisation.	383.	(1)	The directors may, before recommending any dividend, set aside out of the profits of the company such sums as they think proper as a reserve or reserves which shall, at the discretion of the directors, be applicable for any purpose to which the profits of the company may be properly applied, and pending such application, may at the like discretion, either be employed in the business of the company or be invested in such investments (other than shares of the company) as the directors may from time to time think fit; and the directors may also without placing the same to reserve, carry forward any profits which they may think prudent not to distribute.
		(2)	The company in general meeting may upon the recommendation of the directors resolve that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution.
		(3)	Such sum may be set free from distribution among the members who would have been entitled to dividends in the same proportions on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such members respectively or paying up in full unissued shares or debentures of the company to be allotted and distributed to creditors as fully paid up.
		(4)	The company may decide by a resolution what part is to be distributed in cash or in shares and the directors shall give effect to such resolution.
		(5)	Share premium account and a capital redemption reserve fund may, for the purposes of this subsection, only be applied in the paying up of unissued shares to be issued to members of the company as fully paid bonus shares.

- (6) Where a resolution is under subsections (2) to (5) of this section passed, the directors shall make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully-paid shares or debentures, if any, and generally do all acts and things required to give effect to it.
- (7) The directors shall have power to make such provision by the issue of fractional certificates or by payment in cash or otherwise as they think fit in the case of shares or debentures becoming distributable in fractions.
- (8) Any person may be authorised by the directors to enter on behalf of all the members entitled under this section into an agreement with the company to provide for the allotment to them respectively, credited as fully paid up, of any further shares or debentures to which they may be entitled upon such capitalisation, or (as the case may require) for the payment up by the company on their behalf, of the amounts or any part of the amounts remaining unpaid on their existing shares, and any agreement made under such authority shall be effective and binding on all such members.

Employees' shares and profit sharing. 384.

If under his contract of service, an employee is entitled to share in the profits of the company as an incentive, he shall be entitled to share in the profits of the company, whether or not dividends have been declared.

Right of the share-holders, to sue for dividends. 385.

Dividends shall be special debts due to, and recoverable by, shareholders within 12 years, and actionable only when declared.

Liability for paying dividend out of capital. 386.

- (1) All directors who knowingly pay, or are party to the payment of dividend out of capital or otherwise in contravention of this Part of this Decree shall be personally liable jointly and severally to refund to the company any amount so paid.
- (2) Such directors shall have the right to recover the dividend from shareholders who receive it with knowledge that the company had no power to pay it.

PART XIV - RECEIVERS AND MANAGERS.

Appointment of Receivers and Managers.

Disqualification for appointment as a receiver or manager. 387.

- (1) The following persons shall not be appointed or act as receivers or managers of any property or undertaking of any company -
- (a) an infant;
 - (b) any person found by a competent court to be of unsound mind;
 - (c) a body corporate;
 - (d) an undischarged bankrupt, unless he shall have been given leave to act as a receiver or manager of the property or undertaking of the company by the court by which he was adjudged bankrupt;
 - (e) a director or auditor of the company;

- (f) any person convicted of any offence involving fraud, dishonesty, official corruption or moral turpitude and who is disqualified under section 254 of this Decree.
- (2) Any appointment made in contravention of the provisions of subsection (1) of this section shall be void and if any of the persons named in paragraphs (c), (d), (e) and (f) of that subsection shall act as a receiver or manager, he shall be guilty of an offence and liable to a fine not exceeding =N=2,000 in the case of a body corporate or, in the case of an individual to imprisonment for a term not exceeding 6 months or to a fine not exceeding =N=500.
- (3) Where any of the persons mentioned in subsection (1) of this section is at the commencement of this Decree acting as a receiver or manager he may be removed by the Court on an application by a person interested.
- Power of the court to appoint official receiver for debenture holders and others. 388. Where an application is made to the court to appoint a receiver on behalf of the debenture holder or other creditors of a company which is being wound up by the court, an official receiver may be appointed.
- Appointment of receivers and managers by the court. 389. (1) Notwithstanding the provisions of paragraph (d) of subsection (1) of section 209 of this Decree, the court may, on the application of a person interested, appoint a receiver and manager of the property or undertaking of a company if -
- (a) the principal money borrowed by the company or the interest is in arrears; or
- (b) the security or property of the company is in jeopardy.
- (2) A receiver or manager of any property or undertaking of a company appointed by the court shall be deemed to be an officer of the court and not of the company and shall act in accordance with the directions and instructions of the court.
- Receivers and managers appointed out of court. 390. (1) A receiver or manager of any property or undertaking of a company appointed out of court under a power contained in any instrument shall, subject to section 393 of this Decree, be deemed to be an agent of the person or persons on whose behalf he is appointed and, if appointed manager of the whole or any part of the undertaking of a company he shall be deemed to stand in a fiduciary relationship to the company and observe the utmost good faith towards it in any transaction with it or on its behalf.
- (2) Such a manager shall -
- (a) act at all times in what he believes to be the best interest of the company as a whole so as to preserve its assets, further its business, and promote the purposes for which it was formed, and in such manner as a faithful, diligent, careful and ordinarily skilful manager would act in the circumstances;
- (b) in considering whether a particular transaction or course of action is in the best interest of the company as a whole may have regard to the interests of the employees, as well as the members of the company, and, when appointed by, or as a representative of, a special class of members or creditors may

give special, but not exclusive, consideration to the interests of that class.

- (3) Nothing contained in the articles of a company, or in any contract, or in any resolution of a company shall relieve any manager from the duty to act in accordance with subsection (2) of this section or relieve him from any liability incurred as a result of any breach of such duty.

Power of a receiver or manager appointed out of court to apply to the court for directions.

391.

A receiver or manager of the property of a company appointed in accordance with the provisions of subsection (1) of section 390 of this Decree may apply to the court for direction in relation to any particular matter arising in connection with the performance of his functions, and on any such application, the court may give such directions or make such order declaring the rights of persons before the court or otherwise, as it thinks just.

Notification that a receiver or manager has been appointed.

392.

- (1) Where a receiver or manager of the property of a company has been appointed, notice shall be given to the Commission within 14 days, indicating the terms of and remuneration for the appointment, and every invoice, order for goods or business letter issued by or on behalf of the company, or the receiver or manager or the liquidator of the company being a document on or in which the company's name appears, shall contain a statement that a receiver or manager has been appointed.
- (2) If default is made in complying with this section, the company and any of the following persons, who knowingly and wilfully authorises or permits the default, namely, any officer of the company, any liquidator of the company and any receiver or manager, shall be guilty of an offence and liable to a fine not exceeding ₦25 for every day during which the default continues.

Duties, Powers and Liabilities of Receivers and Managers.

Duties, powers, etc. of receivers and managers.

393.

- (1) A person appointed a receiver of any property of a company shall subject to the rights of prior incumbrances, take possession of and protect the property, receive the rents and profits and discharge all out-goings in respect thereof and realise the security for the benefit of those on whose behalf he is appointed, but unless appointed manager he shall not have power to carry on any business or undertaking.
- (2) A person appointed manager of the whole or any part of the undertaking of a company shall manage the same with a view to the beneficial realisation of the security of those on whose behalf he is appointed.
- (3) Without prejudice to subsection (1) or (2) of this section, where a receiver or manager is appointed for the whole or substantially the whole of a company's property, the powers conferred on him by the debentures by virtue of which he was appointed shall be deemed to include (except in so far as they are inconsistent with any of the provisions of those debentures) the powers specified in Schedule 11 to this Decree.
- (4) As from the date of appointment of a receiver or manager, the powers of the directors or liquidators in a members' voluntary winding up to deal with the property or undertaking over which he is appointed shall cease unless and until the receiver or manager is discharged.

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- (5) If, on the appointment of a receiver or manager, the company is being wound up under the provision relating to creditors' voluntary winding up, or the property concerned is in the hands of some other officer of the court, the liquidator or officer shall not be bound to relinquish control of such property to the receiver or manager except under the order of the court.
- Liability of receivers and managers on contracts. 394. (1) A receiver or manager of any property or undertaking of a company shall be personally liable on any contract entered into by him except in so far as the contract otherwise expressly provides.
- (2) As regards contracts entered into by a receiver or manager in the proper performance of his functions, such receiver or manager shall, subject to the rights of any prior incumbrances, be entitled to an indemnity in respect of liability thereon out of the property over which he has been appointed to act as receiver or manager.
- (3) A receiver or manager appointed out of court under a power contained in any instrument shall also be entitled, as regards contracts entered into by him with the express or implied authority of those appointing him, to an indemnity in respect of liability thereon from those appointing him to the extent to which he is unable to recover in accordance with subsection (2) of this section.
- Power of court to fix remuneration on application of liquidator 395. (1) The court may, on the application of the company or the liquidator of a company, by order fix the amount to be paid by way of remuneration to any person who, under the powers contained in any instrument, has been appointed as receiver or manager of the property of the company.
- (2) The powers of the court under subsection (1) of this section shall, where no previous order has been made with respect thereto under that subsection -
- (a) extend to fixing the remuneration for any period before the making of the order or the application therefore; and
- (b) be exercisable notwithstanding that the receiver or manager has died or ceased to act before the making of the order or the application therefore; and
- (c) extend where the receiver or manager has been paid or has retained for his remuneration for any period before the making of the order any amount in excess of that so fixed for that period, to requiring him or his personal representatives to account for the excess or such part thereof as may be specified in the order:
- Provided that the power conferred by paragraph (c) of this subsection shall not be exercised as respects any period before the making of the application for the order unless in the opinion of the court there are special circumstances making it proper for the power to be so exercised.
- (3) The court may from time to time on an application made either by the company or the liquidator or by the receiver or manager, vary or amend an order made under subsection (1) of this section.
- (4) This section shall apply whether the receiver or manager has been appointed before or after the commencement of this Decree, and to periods before, as well as to periods after, the commencement of this Decree.

Procedure after Appointment.

- Provisions as to 396. (1) Where a receiver or manager of the whole or substantially the whole of the property of a company (hereafter in this section and in section 397 of this Decree referred to as "the receiver") has been appointed on behalf of the holders of any debentures of the company secured by a floating charge, then subject to the provisions of this section and of section 397 of this Decree -
- information where receiver or manager appointed.
- (a) the receiver shall forthwith send notice to the company of his appointment and the terms; and
 - (b) there shall, within 14 days after receipt of the notice; or such longer period as may be allowed by the court or by the receiver, be made out and submitted to the receiver in accordance with section 397 of this Decree, a statement in the prescribed form as to the affairs of the company; and
 - (c) the receiver shall within 2 months after receipt of the said statement send -
 - (i) to the Commission or to the court a copy of the statement and of any comments he sees fit to make thereon and in the case of the Commission also a summary of the statement and of his comments if any thereon;
 - (ii) to the company a copy of any such comments as aforesaid or if he does not see fit to make any comment, a notice to that effect; and
 - (iii) to any trustees for the debenture holders on whose behalf he has been appointed and, so far as he is aware of their addresses, to all such debenture holders a copy of the said summary.
- (2) The receiver shall within 2 months, or such longer period as the court may allow after the expiration of the period of 12 months from the date of his appointment and of every subsequent period of 12 months, and within 2 months or such longer period as the court may allow after he ceases to act as receiver or manager of the property of the company, send to the Commission, to any trustees for the debenture holders of the company on whose behalf he was appointed, to the company and (so far as he is aware of their addresses) to all such debenture holders an abstract in the prescribed form showing his receipts and payments during that period of 12 months, or, where he ceases to act as aforesaid, during the period from the end of the period to which the last preceding abstract relate up to the date of his so ceasing, and the aggregate amounts of his receipts and of his payments during all preceding periods since his appointments.
- (3) Where the receiver is appointed under the powers contained in any instrument, this section shall have effect -
- (a) with the omission of the references to the court in subsection (1) of this section; and
 - (b) with the substitution for the references to the court in subsection (2) of this section, of references to the Commission; and in any other case reference to the court shall be taken as referring to the court by which the receiver was appointed.
- (4) Subsection (1) of this section shall not apply in relation to the appointment of a receiver or manager to act with an existing receiver or manager or in place of a receiver

or manager dying or ceasing to act, except that, where that subsection applies to a receiver or manager who dies or ceases to act before it has been fully complied with, the references in paragraphs (b) and (c) thereof to the receiver shall subject to subsection (5) of this section, include references to his successor and to any continuing receiver or manager and nothing in this subsection shall be taken as limiting the meaning of the expression "the receiver" where used in, or in relation to, subsection (2) of this section.

- (5) This section and section 397 of this Decree, where the company is being wound up, shall apply notwithstanding that the receiver or manager and the liquidator are the same person.
- (6) Nothing in subsection (2) of this section shall be taken to prejudice the duty of the receiver to render proper accounts of his receipts and payments to the persons to whom, and at the times at which he may be required to do so apart from that subsection.
- (7) If the receiver makes default in complying with the requirements of this section, he shall be guilty of an offence and liable to a fine to =N=25 for every day during which the default continues.

Special provisions as to statement submitted to receiver.

- 397. (1) The statements as to the affairs of a company required by section 396 of this Decree, to be submitted to the receiver (or his successor) shall show as at the date of the receiver's appointment, the particulars of the company's assets, debts and liabilities, the names, residences and occupations of its creditors, the securities held by them respectively, the dates when the securities were respectively given and such further or other information as may be prescribed.
- (2) The statement shall be submitted by, and be verified by affidavit of one or more of the persons who are at the date of the receiver's appointment, the directors and by the person who is at that date the secretary of the company, or by such of the persons hereafter in this subsection mentioned as the receiver (or his successor), subject to the direction of the court, may require to submit and verify the statement, that is to say, persons -
 - (a) who are or have been officers of the company;
 - (b) who have taken part in the formation of the company at any time within one year before the date of the receiver's appointment;
 - (c) who are in the employment of the company, or have been in the employment of the company within the year, and are in the opinion of the receiver capable of giving the information required;
 - (d) who are or have been within the said year officers of or in the employment of a company which is, or within the said year was, an officer of the company to which the statement relates.
- (3) Any person making the statement and affidavit shall be allowed, and shall be paid by the receiver (or his successor) out of his receipts, such costs and expenses incurred in and about the preparation and making of the statement and affidavit as the receiver (or his successor) may consider reasonable, subject to an appeal to the court.
- (4) Where the receiver is appointed under the powers contained in any instrument, this

section shall have effect with the substitution for references to the court of references to the Commission and references to an affidavit, of references to a statutory declaration; and in any other case references to the court shall be taken as referring to the court by which the receiver was appointed.

- (5) If any person without reasonable excuse makes default in complying with the requirements of this section, he shall be guilty of an offence and liable to a fine of =N=50 for every day during which the default continues.
- (6) References in this section to the receiver's successor shall include a continuing receiver or manager.

Accounts by receiver or Manager.

Delivery to
Commission
of accounts
of receivers and
managers.

- 398. (1) Except where section 395 (2) of this Decree applies, every receiver or manager of the property of a company who has been appointed under the powers contained in any instrument shall, within one month or such longer periods as the Commission may allow, after the expiration of the period of 6 months from the date of his appointment, and of every subsequent period of 6 months, and within one month after he ceases to act as receiver or manager, deliver to the Commission for registration an abstract in the prescribed form showing his receipts and his payments during that period of 6 months, or where he ceases to act as aforesaid, during the period from the end of the period to which the last preceding abstract relate up to the date of his ceasing, and the aggregate amount of his receipts and of his payments during all preceding periods since his appointment.
- (2) Every receiver or manager who makes default in complying with the provisions of this section shall be guilty of an offence and liable to a fine of =N=25 for every day during which the default continues.

Duty as to Returns.

Enforcement
of duty of
receivers and
managers to
make returns, etc.

- 399. (1) If any receiver or manager of the property of a company having -
 - (a) made default in filing, delivering or making any returns, account or other document, or in giving any notice, which a receiver or manager is by law required to file, delivers, makes or gives or fails to make good the default within 14 days after the service on him of a notice requiring him to do so; or
 - (b) been appointed under the powers contained in any instrument has, after being required at any time by the liquidator of the company so to do, fails to render proper accounts of his receipts and payment and to vouch the same and to pay over to the liquidator the amount properly payable to him, the Court may, on an application made for the purpose, make an order directing the receiver or manager, as the case may be, to make good the default within such time as may be specified in the order.
- (2) In the case of any such default as is mentioned in paragraph (a) of subsection (1) of this section, an application for the purposes of this section may be made by any member or by the Commission, and in the case of any such default as is mentioned in paragraph (b) of that subsection, the application shall be made by the liquidator, and in either case the order may provide that all costs shall be borne by the receiver or manager, as the case may be.

- (3) Nothing in this section shall be taken to prejudice the operation of any enactment imposing penalties on receivers in respect of any such default as is mentioned in subsection (1) of this section.

Construction of References.

Construction
of references
to receivers
and managers.

400.

It is hereby declared that, except where the context otherwise requires -

- (a) any reference in this Decree to a receiver or manager of the property of a company, or to a receiver thereof, includes a reference to a receiver or manager, or as the case may be to a receiver of part only of that property and to a receiver only of the income arising from that property or from part thereof; and
- (b) any reference in this Decree to the appointment of a receiver or manager under powers contained in any instrument, includes a reference to an appointment made under powers which, by virtue of any enactment, are implied in and have effect as if contained in an instrument.

PART XV - WINDING UP OF COMPANIES

CHAPTER 1 - PRELIMINARY

Modes of Winding Up.

Modes of
winding up.

401.

- (1) The winding up of a company may be effected -
- (a) by the court; or
- (b) voluntarily; or
- (c) subject to the supervision of the court.
- (2) The provisions of this Decree with respect to winding up shall apply, unless the contrary appears, to the winding up of a company in any of those modes.

Contributories.

Liability as
contributories
of present and
past members.

402.

In the event of a company being wound up, every present and past member shall be liable to contribute to the assets of the company as provided in section 92 of this Decree.

Definition of
contributory.

403.

The term "contributory" means every person liable to contribute to the assets of a company in the event of its being wound up and for the purposes of all proceedings for determining and all proceedings prior to the final determination of the persons who are to be deemed contributories, the expression shall include any person alleged to be a contributory.

Nature of liability of contributory.	404.		The liability of a contributory shall create a debt of the nature of a speciality accruing and due from him the time when his liability commenced, but payable at the times when calls are made for enforcing the liability.
Contributories in case of death of member.	405.	(1)	If a contributory dies either before or after he has been placed on the list of contributories, his personal representatives and his heirs and devisees, shall be liable in due course of administration to contribute to the assets of the company in discharge of his liability and they shall be contributories accordingly.
		(2)	Where the personal representatives are placed on the list of contributories, the heirs or devisees need not be added, but they may be added as and when the court thinks fit.
		(3)	If the personal representatives make default in paying any money ordered to be paid by them, proceedings may be taken for administering the whole or any part of the estate of the deceased contributory, and for compelling payment out of it of the money due.
Contributories in case of bankruptcy of member.	406.	(1)	If a contributory becomes bankrupt, either before or after he has been placed on the list of contributories, then -
		(a)	his trustee in bankruptcy shall represent him for all the purposes of the winding up, and shall be a contributory accordingly, and may be called on to admit to proof against the estate of the bankrupt, or otherwise to allow to be paid out of his assets in due course of law, any money due from the bankrupt in respect of his liability to contribute to the assets of the company; and
		(b)	there may be proved against the estate of the bankrupt the estimated value of his liability to future calls as well as calls already made.
		(2)	The provisions of this section shall extend and apply with all necessary changes to the case of an insolvent person.

CHAPTER 2 - WINDING UP BY THE COURT

Jurisdiction.

Jurisdiction as to winding up.	407.	(1)	The court having jurisdiction to wind up a company shall be the Federal High Court within whose area of jurisdiction the registered office or head office of the company is situate.
		(2)	For the purpose of this section, "registered office or head office" means the place which has longest been the registered office or head office of the company during the 6 months immediately preceeding the presentation of the petition for winding up.

Cases in which Company may be Wound up by Court.

Circumstances in which companies may be wound up by court.	408.		A company may be wound up by the court if -
		(a)	the company has by special resolution resolved that the company be wound up by the court;
		(b)	default is made in delivering the statutory report to the Commission or in holding the statutory meeting;

- (c) the number of members is reduced below two;
- (d) the company is unable to pay its debts;
- (e) the court is of the opinion that it is just and equitable that the company should be wound up.

Definition of
inability to
pay debts.

409.

A company shall be deemed to be unable to pay its debts if -

- (a) a creditor, by assignment or otherwise, to whom the company is indebted in a sum exceeding ₦2,000 then due has served on the company by leaving it at its registered office or head office, a demand under his hand requiring the company to pay the sum so due, and the company has for three weeks thereafter neglected to pay the sum or to secure or compound for it to the reasonable satisfaction of the creditor; or
- (b) execution or other process issued on a judgement, decree or order of any court in favour of a creditor of the company is returned unsatisfied in whole or in part; or
- (c) the court, after taking into account any contingent or prospective liability of the company is satisfied that the company is unable to pay its debts.

Petitions for Winding up and Effects thereof.

Provisions as
to application
for winding up.

410.

- (1) An application to the court for the winding up of a company shall be by petition presented subject to the provisions of this section, either by -
 - (a) the company;
 - (b) a creditor, including a contingent or prospective creditor of the company;
 - (c) the official receiver;
 - (d) a contributory;
 - (e) a trustee in bankruptcy to, or a personal representative of a creditor or contributory;
 - (f) the Commission under section 323 of this Decree;
 - (g) a receiver if authorised by the instrument under which he was appointed; or
 - (h) by all or any of those parties, together or separately.
- (2) Notwithstanding anything in subsection (1) of this section -
 - (a) a contributory shall not be entitled to present a petition for winding up a company unless -
 - (i) the number of members is reduced below two; or
 - (ii) the shares in respect of which he is a contributory or some of them were

originally allotted to him or have been held by him, and registered in his name for at least 6 months during the eighteen months before the commencement of the winding up, or have devolved on him through the death of a former holder,

- (b) a winding up petition shall not, if the ground of the petition is default in delivering the statutory report to the Commission or in holding the statutory meeting, be presented by any person except a shareholder, or before the expiration of 14 days after the last day on which the meeting should have been held;
- (c) the court shall not hear a winding up petition presented by a contingent or prospective creditor until sufficient security for costs has been given, and a prima facie case for winding up has been established to its satisfaction;
- (d) in any case falling within section 320 or 321 of this Decree (proceedings on inspectors reports) or paragraph (e) or section 408 of this Decree, a winding up petition may be presented by the Commission with the approval of the Attorney General of the Federation.

- (3) Where a company is being wound up voluntarily or subject to supervision, a winding up petition may be presented by the official receiver attached to the court, as well as by any other person authorised in that behalf under the other provisions of this section; but the court shall not make a winding up order on any such petition unless it is satisfied that the voluntary winding up or winding up subject to supervision cannot be continued with due regard to the interests of the creditors or contributories.
- (4) A contributory shall be entitled to present a winding up petition notwithstanding that there may not be assets available on the winding up for distribution to contributories.

Powers of
court on
hearing peti-
tion.

- 411. (1) On hearing a winding up petition the court may dismiss it, or adjourn the hearing conditionally or unconditionally, or make any interim order, or any other order that it thinks fit; but the court shall not refuse to make a winding up order on the ground only that the assets of the company have been mortgaged to an amount equal to or in excess of those assets, or that the company has no assets.
- (2) Unless it appears to the court that some other remedy is available and that the petitioners are acting unreasonably in seeking a winding up order instead of pursuing that remedy, the court, on hearing a petition by contributory members of a company for relief by winding up on the ground that it would be just and equitable so to do, shall make the order as prayed if of opinion that the petitioners are entitled to the relief sought.
- (3) Where a petition is presented on the ground of default in delivering the statutory report to the Commission or in holding the statutory meeting, the court instead of making a winding up order, may direct the delivery of the statutory report or the holding of a meeting as the case may require, and order the costs to be paid by the persons who, in the opinion of the court, are responsible for the default.

Power to stay
or restrain
proceedings
against
company.

- 412. Where a winding up petition has been presented and an action or other proceeding against a company is instituted or pending in any court (in this section referred to as "the court concerned"), the company or any creditor or contributory may, before the making of the winding up order, apply to the court concerned for an order staying proceedings; and the court concerned may, with or without imposing terms, stay or restrain proceedings, or if it thinks fit, refer the case to the court hearing the winding up petition.

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| Avoidance of dispositions of property, etc. after commencement of winding up. | 413. | In a winding up by the court, any disposition of the property of the company, including things in action and any transfer of shares, or alteration in the status of the members of the company, made after the commencement of the winding up shall, unless the court otherwise orders, be void. |
| Avoidance of attachments, etc. | 414. | Where a company is being wound up by the court, any attachment, sequestration, distress or execution put in force against the estate or effects of the company after commencement of the winding up shall be void. |

Commencement of Winding up.

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| Commencement of a winding up by the court. | 415. | (1) Where, before the presentation of a petition for the winding up of a company by the court, a resolution has been passed by the company for voluntary winding up, the winding up of the company shall be deemed to have commenced at the time of the passing of the resolution, and unless the court, on proof of fraud or mistake, thinks fit otherwise to direct, all proceedings taken in the voluntary winding up shall be deemed to have been validly taken. |
| | | (2) In any other case, the winding up of a company by the court shall be deemed to commence at the time of the presentation of the petition for the winding up. |

Consequences of Winding up Order.

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| Copy of order to be forwarded to Commission. | 416. | On the making of a winding up order, a copy of the order shall forthwith be forwarded by the company, or otherwise as may be prescribed, to the Commission which shall make a minute thereof in its books relating to the Company. |
| Actions stayed on winding up order. | 417. | If a winding up order is made or a provisional liquidator is appointed, no action or proceeding shall be proceeded with or commenced against the company except by leave of the court given on such terms as the Court may impose. |
| Effect of winding up order. | 418. | An order for winding up a company shall operate in favour of all the creditors and of all the contributories of the company as if made on the joint petition of a creditor and of a contributory. |

Official Receiver.

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| Definition of official receiver. | 419. | (1) For the purposes of this Decree and so far as it relates to the winding up of companies by the court, "official receiver" means the deputy Chief Registrar of the Federal High Court or an officer designated for the purpose by the Chief Judge of the Court. |
| | | (2) Any such officer shall for the purpose of his duties under this Decree be styled "the official receiver". |
| Statement of company's affairs to be submitted to official receiver. | 420. | (1) Where the court has made a winding up order or appointed a provisional liquidator there shall, unless the court thinks fit to order otherwise and so orders, be made out and submitted to the official receiver statement as to the affairs of the company in the prescribed form, verified by affidavit, and showing the particulars of its assets, debts and liabilities, the names, residences and occupations of its creditors the securities held by them respectively, the dates when the securities were respectively given the list of members and the list of charges and such further or other information as may be prescribed or as the official receiver may require. |
| | | (2) The statement shall be submitted and verified by one or more of the persons who are at the relevant date the directors and the person who as at that date the secretary |

of the company, or by such of the persons mentioned in this subsection as the official receiver, subject to the direction of the court, may require to submit and verify the statement, that is to say persons who -

- (a) are or have been officers of the company;
 - (b) have taken part in the formation of the company at any time within one year before the relevant date;
 - (c) have been or are in the employment of the company within the said year, and are in the opinion of the official receiver capable of giving the information required;
 - (d) are or have been within the said year officers of or in the employment of a company which is, or within the said year was, an officer of the company to which the statement relates.
- (3) The statement shall be submitted within 14 days from the relevant date or within such extended time as the official receiver or the court may for special reasons appoint.
- (4) Any person making or concurring in making the statement and affidavit required by this section shall be allowed, and shall be paid by the official receiver or provisional liquidator, as the case may be, out of the assets of the company such costs and expenses incurred in and about the preparation and making of the statement and affidavit as the official receiver may consider reasonable, subject to an appeal to the Court.
- (5) If any person without reasonable excuse, makes default in complying with the requirements of this section, he shall be guilty of an offence and liable to a fine of =N=25 for every day during which the default continues.
- (6) Any person stating himself in writing to be a creditor or contributory of the company shall be entitled by himself or by his agent at all reasonable times, on a payment of the prescribed fees to inspect the statement submitted in pursuance of this section, and to a copy of or extract from it.
- (7) Any person untruthfully so stating himself to be a creditor or contributory shall be guilty of contempt of court and shall, on the application of the liquidator or of the official receiver, be punishable accordingly.
- (8) In this section, the expression "the relevant date" means, in a case where a provisional liquidator is appointed, the date of his appointment and in a case where no such appointment is made, the date of the winding up order.

Report by
official
receiver.

421.

- (1) If a winding up order is made, the official receiver shall as soon as practicable after receipt of the statement to be submitted under section 420 of this Decree or where the court orders that no statement shall be submitted, as soon as practicable after the date of the order, submit a preliminary report to the court -
- (a) as to the amount of capital issued, subscribed and paid up, and the estimated amount of assets and liabilities; and
 - (b) if the company has failed, as to the causes of the failure; and
 - (c) whether, in his opinion, further inquiry is desirable as to any matter relating to the promotion, formation or failure of the company.

- (2) The official receiver may if he thinks fit, make further reports, stating the manner in which the company was formed and whether in his opinion fraud has been committed by any person in its promotion or formation, or by any officer of the company in relation to the company since its formation and the reports may include any other matters which, in his opinion, it is desirable to bring to the notice of the court.
- (3) If any further report under this section indicates the commission of fraud, the court shall have the further powers provided in section 450 of this Decree (which confers authority to order public examination of certain officials).

Liquidators.

Appointment,
remuneration
and title of
liquidators.

422.

- (1) The court may appoint a liquidator or liquidators for the purpose of conducting the proceedings in winding up a company and performing such duties in reference thereto as the court may impose and where there is a vacancy, the official receiver shall by virtue of his office, act as liquidator until such time as the vacancy is filled.
- (2) At any time after the presentation of a petition and before the making of a winding up order, the appointment shall be provisional and the court making the appointment may limit and restrict the powers of the liquidator by the order appointing him.
- (3) In the application of the foregoing provisions of this section -
 - (a) if a provisional liquidator is to be appointed before the making of a winding up order, the official receiver or any other fit person may be so appointed;
 - (b) on the making of a winding up order, if no liquidator is appointed, the official receiver shall by virtue of his office become the liquidator;
 - (c) the official receiver in his capacity as provisional liquidator shall, and in any other case may, summon meetings of creditors and contributories of the company to be held separately for the purpose of determining whether or not an application is to be made to the court for appointing a liquidator in place of the official receiver;
 - (d) if a person other than official receiver is appointed liquidator he shall not be capable of acting in that capacity until he has notified his appointment to the Commission and given security in the prescribed manner to the satisfaction of the court.
- (4) If more than one liquidator of a company is appointed by the court, the court shall declare whether anything by this Decree required or authorised to be done by a liquidator is to be done by all or any one or more of them.
- (5) A liquidator appointed by the court may resign, or, on cause shown be removed by the court; and any vacancy in the office of the liquidator so appointed shall be filled by the court.
- (6) Where a person other than the official receiver is appointed a liquidator, he shall receive salary in an amount, or remuneration by way of percentage or otherwise, as the court may direct; and, if more such persons than one are appointed liquidators, their remuneration shall be distributed among them in such proportions as the court directs.
- (7) Where a liquidator of a company is appointed, he shall, after his individual name -

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- (a) if he is the official receiver be described as "official receiver and liquidator of (add here name of the company)"; and
- (b) in any other case be described as "liquidator of (add here name of the company)".
- (8) The acts of a liquidator shall be valid notwithstanding any defects that may afterwards be discovered in his appointment or qualification.
- (9) If a liquidator is appointed under this section, all the powers of the directors shall cease, except so far as the court may by order sanction the continuance thereof.
- Custody of company's property. 423. In a winding up by the court the liquidator shall take into his custody, or under his control, all the property and choses in action to which the company is or appears to be entitled.
- Vesting of property of company in liquidator. 424. Where a company is being wound up by the court, the court may on the application of the liquidator by order direct that all or any part of the property of whatsoever description belonging to the company or held by trustees on its behalf shall vest in the liquidator by his official name, and thereupon, but subject to the requirements or registration under any particular enactment, the property to which the order relates shall vest accordingly; and the liquidator may, after giving such indemnity if any, as the court may direct, bring or defend in his official name any action or other legal proceeding which relates to that property or which it is necessary to bring or defend for the purpose of effectually winding up the company and recovering its property.
- Powers of liquidator. 425. (1) The liquidator in a winding up by the court shall have power, with the sanction either of the court or of the committee of inspection, to -
- (a) bring or defend any action or other legal proceeding in the name and on behalf of the company;
- (b) carry on the business of the company so far as may be necessary for its beneficial winding up;
- (c) appoint a legal practitioner or any other relevant professionals to assist him in the performance of his duties;
- (d) pay any classes of creditors in full;
- (e) make any compromise or arrangement with creditors or persons claiming to be creditors, or having or alleging themselves to have any claim, present or future, certain or contingent ascertained or sounding only in damages against the company, or whereby the company may be rendered liable;
- (f) compromise all calls and liabilities to calls, debts and liabilities capable of resulting in debts, and all claims, present or future, certain contingent, ascertained or sounding only in damages, subsisting or supposed to subsist between the company and a contributory or alleged contributory or other debtor or person apprehending liability to the company, and all questions in any way relating to or affecting the assets or the winding up of the company, on such terms as may be agreed, and take any security for the discharge of any such call, debt, liability or claim and give a complete discharge in respect thereof.

- (2) The liquidator in winding up by the court shall have power to -
- (a) sell the property of the company of whatever nature by public auction or private contract, with power to transfer the whole thereof to any person or company or to sell the same in parcels;
 - (b) do all acts and to execute, in the name and on behalf of the company, all deeds, receipts and other documents, and for that purpose to use, when necessary, the company's seal;
 - (c) prove, rank and claim in the bankruptcy, insolvency or sequestration of any contributory for any balance against his estate, and to receive dividends in the bankruptcy, insolvency or sequestration in respect of that balance as a separate debt due from the bankrupt or insolvent, and rateably with the other separate creditors;
 - (d) draw, accept, make and indorse any bill of exchange or promissory note in the name and on behalf of the company with the same effect with respect to the liability of the company as if the bill or note had been drawn, accepted, made or indorsed by or on behalf of the company in the course of its business;
 - (e) raise on the security of the assets of the company any money requisite;
 - (f) take out in his official name letters of administration to any deceased contributory, and to do in his official name any other act necessary for obtaining payment of any money due from a contributory or his estate which cannot be conveniently done in the name of the company, and in all such cases the money due shall, for the purpose of enabling the liquidator to take out the letters of administration or recover the money, be deemed to be due to the liquidator himself;
 - (g) appoint an agent to do any business which the liquidator is unable to do himself;
 - (h) do all such other things as may be necessary for winding up the affairs of the company and distributing its assets.
- (3) The exercise by the liquidator in a winding up by the court of the powers conferred by this section shall be subject to the control of the court, and any creditor or contributory may apply to the court with respect to any exercise or proposed exercise of any of those powers.

Liquidator to
give informa-
tion, etc. to
official receiver.

426.

If during the winding up of a company by the court a person other than the official receiver is appointed liquidator, he shall give the official receiver such information and access to and facilities for inspecting the books and documents of the company, and generally any aid requisite or necessary for enabling that officer to perform his duties under this Decree.

Exercise and
control of
liquidator's
power.

427.

(1)

Subject to the provisions of this Decree, the liquidator of a company being wound up by the court shall, in the administration and distribution of the assets of the company among its creditors, have regard to directions given by resolution of the creditors or contributories at any general meeting, or by the committee of inspection, so however that directions given by the creditors or contributories at any general meeting shall, in case of conflict, override directions given by the committee of inspection.

- (2) The liquidator may summon general meeting of the creditors or contributories for the purpose of ascertaining their wishes, and it shall be his duty to summon meetings at such times as the creditors or contributories by resolution either at the meeting appointing the liquidator or otherwise, may direct, or whenever requested in writing to do so by one tenth in value of the creditors or contributories as the case may be.
- (3) the liquidator may apply to the court in the manner prescribed for directions in relation to any particular matter arising under the winding up.
- (4) Subject to the provisions of this Decree, the liquidator shall use his own discretion in the management of the estate and its distribution among the creditors.
- (5) Any persons aggrieved by an act or decision of the liquidator may apply to the court for such order in the premises as it thinks just; and the court may confirm, reverse, or modify the act or decision.

Payments by
liquidator into
Companies
Liquidation
Account.

428. (1) Every liquidator of a company being wound up by the court shall, in such manner and at such times as the Commission directs, pay moneys received by him into the public fund of the Federation kept by the Commission under and for the purposes of this Decree and known as "the Companies Liquidation Account", and the Accountant-General of the Federation shall furnish him with a certificate of receipt for the money so paid.

Provided that, if the committee of inspection satisfies the Commission that for the purpose of carrying on the business of the company or of obtaining advances, or for any other reason, it is for the advantage of the creditors or contributories that the liquidator should have an account with any bank, the Commission shall, on the application of the committee of inspection, authorise the liquidator to make his payments into and out of such bank, in Nigeria as the committee may select, and thereupon those payments shall be made in the prescribed manner

- (2) If the liquidator of a company being wound up as aforesaid, at any time retains for more than ten days an amount in excess of either ₦500 or, in any particular case, such other amount as the Commission may approve, and fails to satisfy the Commission as to the need for the retention beyond that time, the liquidator shall pay interest on the amount so retained in excess, at the rate of twenty percent per annum, and shall be liable to -
 - (a) disallowance of the whole or such part of his remuneration as the Commission thinks fit; and
 - (b) removal from office;

and in addition, he shall be liable to pay any expenses occasioned by the retention.
- (3) A liquidator of a company which is being wound up by the court shall not pay any sums received by him as liquidator into his private banking account.

Audit, etc. of
liquidator's
account.

429. (1) Every liquidator of a company being wound up by the court shall, at such times as may be prescribed but not less than twice in each year during his tenure of office, send to the Commission an account of his receipts and payments as liquidator.
- (2) The account shall be in duplicate in the prescribed form, and shall be verified by a statutory declaration in the prescribed form.

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- (3) The Commission shall cause the account to be audited, and for the purpose of the audit the liquidator shall furnish the Commission with such vouchers and information as the Commission may require, and the Commission may at any time require the production of, and may inspect, any books or accounts kept by the liquidator.
- (4) When the account has been audited, one copy shall be filed and kept by the Commission, and the other copy shall be filed with the court and each copy shall be open to inspection by any creditor or other person interested, on payment of the prescribed fee.
- (5) The Commission shall cause the account when audited or a summary thereof to be printed, and shall send a printed copy of the account or summary by post to every creditor and contributory.
- Books to be kept by liquidator. 430. Every liquidator of a company which is being wound up by the court shall, in the manner prescribed, keep proper books in which he shall cause to be made entries or minutes of proceedings at meetings, and of such other matters as may be prescribed, and any creditor or contributory may subject to the control of the court, personally or by his agent inspect any such books.
- Release of liquidator. 431. (1) Where the liquidator of a company being wound up by the court has realised all the property of the company, or so much of it as may, in his opinion, be realised without needlessly protracting the liquidation and has distributed a final dividend, if any, to the creditors, and adjusted the rights of the contributories among themselves, and made a final return, if any to the contributories, or has resigned, or has been removed from his office, the Commission shall, on the application of the liquidator, cause a report on the accounts of the liquidator to be prepared.
- (2) The Commission shall consider the report referred to in subsection (1) of this section together with any objection that may be raised by any creditor, or contributory, or person interested against the release of the liquidator, and may grant or withhold the release as it deems fit subject nevertheless to an appeal to the court.
- (3) If the release of a liquidator is withheld, the court may, on the application of any creditor, or contributory, or person interested make such order as it thinks just, charging the liquidator with the consequences of any act or default which he may have done or made contrary to his duty.
- (4) An order of the Commission releasing the liquidator shall discharge him from all liability in respect of any act done or default made by him in the administration of the affairs of the company, or otherwise in relation to his conduct as liquidator; but any such order may be revoked on proof that it was obtained by fraud or by suppression or concealment of any material fact.
- (5) Where the liquidator has not previously resigned or been removed, his release shall operate as a removal of him from his office.
- Control over liquidators. 432. (1) The Commission shall take cognizance of the conduct of liquidators of companies which are being wound up by the court and if a liquidator does not faithfully perform his duties and duly observe all the requirement imposed on him by any enactment, or otherwise with respect to the performance of his duties, or if any complaint is made to the Commission by any creditor or contributory in regard thereto, the Commission shall inquire into the matter, and may take such action thereon as it thinks fit, including the direction of a local investigation of the books and vouchers of the liquidator.

- (2) The Commission may at any time require the liquidator of a company being wound up by the court to answer any inquiry in relation to any winding up in which he is engaged and if the Commission thinks fit, it may apply to the court to examine the liquidator or any other person on oath concerning the winding up.

Committee of Inspection, Special Manager, etc.

Power to
appoint
committee
of inspection
after meeting
of creditors
and others.

433. (1) Where a winding up order is made by the court, it shall be the business of the separate meetings of creditors and contributories summoned for the purpose of determining whether or not to apply to the court for an order appointing a liquidator in place of the official receiver, to determine whether or not application should be made to the court for the appointment of a committee of inspection to act with the liquidator, and who are to be members of the committee, if the appointment is made.

- (2) The court may make any appointment and order required to give effect to any determination under this section and if there is a difference between the determinations of the meetings of the creditors and contributories in respect of the matters aforesaid, the court shall decide the difference and make any order it thinks necessary.

Powers, etc.
of committee
of inspection.

434. (1) A committee of inspection appointed under this Decree shall consist of creditors and contributories of the company or persons holding general powers of attorney from creditors or contributories in such proportions as may be agreed on by the meetings of creditors and contributories or as, in case of difference, may be determined by the court.
- (2) A committee of inspection shall meet at the time or times appointed, so however that there shall be a meeting at least once in every month during its existence, but the liquidation or any member of the committee may convene a meeting as and when necessary.
- (3) A meeting of a committee of inspection shall be deemed convened if a majority of members are present; but at any such meeting the committee may act by a majority of the members present.
- (4) A member of the committee may resign by notice in writing signed by him and delivered to the liquidator.
- (5) If a member of the committee becomes bankrupt or compounds or arranges with his creditors or is absent from five consecutive meetings of the committee without leave of those members who together with himself represent the creditors or contributories, as the case may be, his office shall thereupon become vacant.
- (6) A member of the committee may be removed by an ordinary resolution at a meeting of creditors, if he represents creditors, or of contributories, if he represents contributories, of which seven days notice has been given, stating the object of the meeting.
- (7) On a vacancy occurring in the committee the liquidator shall forthwith summon a meeting of creditors or of contributories, as the case may require, to fill the vacancy, and the meeting may, by resolution, re-appoint the same or appoint another creditor or contributory to fill the vacancy:

Provided that if the liquidator, having regard to the position in the winding up, is of the opinion that it is unnecessary for the vacancy to be filled he may apply to the court and the court may make an order that the vacancy shall not be filled, or shall not be filled except in such circumstances as may be specified in the order.

- (8) The continuing members of the committee, if not less than two, may act notwithstanding any vacancy in the committee.
- Powers where no committee of inspection is appointed. 435. Where in the case of winding up there is no committee of inspection, the Commission may, on the application of the liquidator, if he thinks fit, do any act or thing or give any direction or permission which is by this Decree authorised or required to be done or given by the committee.
- Power to appoint special manager. 436. (1) Where the official receiver becomes the liquidator of a company, whether provisionally or otherwise, he may, if satisfied that the nature of the estate or business of the company, or the interest of the creditors or contributories generally, require the appointment of a special manager of the estate or business of the company other than himself, apply to the court for an order appointing a special manager to act during such time as the court may direct, with such powers, including those of a receiver or manager, as may be entrusted to him by the court, and the court may make any order necessary.
- (2) A special manager appointed under this section shall receive remuneration as fixed by the court, and shall give security and account in such manner as the Commission directs.
- Official receiver as receiver for debenture holders, etc. 437. It is hereby declared that where application is made to the court to appoint a receiver on behalf of the debenture holders or other creditors of the company being wound up by the court, the official receiver may be so appointed.

General powers of Court in Case of Winding up by Court.

- Power to stay winding up. 438. (1) The court may at any time after an order for winding up, on the application either of a liquidator or the official receiver or any creditor or contributory, and on proof to the satisfaction of the court that all proceedings in relation to the winding up ought to be stayed, make an order staying the proceedings either altogether or for a limited time, on such terms and conditions as the court thinks fit.
- (2) The court may, at any time after an order for winding up on the application either of the liquidator or a creditor, and after having regard to the wishes of the creditors and contributories, make an order directing that the winding up ordered by court, shall be conducted as a creditors voluntary winding up and if the court does so the winding up shall be so conducted.
- (3) On any application under this section, the court may, before making an order, require the official receiver to furnish to the court a report with respect to any facts or matters which are in his opinion relevant to the application.
- (4) A copy of every order made under this section shall forthwith be forwarded by the company, or otherwise as may be prescribed, to the Commission, which shall make a minute of the order in its books relating to the company.
- (5) If default is made in lodging a copy of an order made under this section with the Commission as required by subsection (4) of this section, every officer of the company or other person who knowingly authorises, or permits the default shall be guilty of an offence punishable by a daily default fine of ₦25.

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| Statement of list of contributories and application of assets. | 439. | (1) | <p>As soon as may be after making a winding up order, the court shall settle a list of contributories, and may rectify the register of members in all cases where rectification is required in pursuance of this Decree, and the court shall cause the assets of the company to be collected, and applied in discharge of its liabilities:</p> <p>Provided that where it appears to the court that it will not be necessary to make calls on or adjust the rights of contributories, the court may dispense with the settlement of a list of contributories.</p> |
| | | (2) | <p>In settling the list of contributories, the court shall distinguish between persons who are contributories in their own right and persons who are contributories as being representatives of or liable for the debts of others.</p> |
| Delivery of property to liquidator. | 440. | | <p>The court may, at any time after making a winding up order require any contributory for the time being on the list of contributories and any trustee, receiver, banker, agent, or officer of the company to pay, deliver, convey surrender or transfer forthwith, or within such time as the court directs, to the liquidator any money, property, or books and papers in his hands, to which the company is <i>prima facie</i> entitled.</p> |
| Payments by contributory to company and set-off allowance. | 441. | (1) | <p>The court may, at any time after making a winding up order make an order on any contributory for the time being on the list of contributories to pay, in the manner directed by the order; any money due from him or from the estate of the person whom he represents to the company, exclusive of any money payable by him or the estate by virtue of any call in pursuance of this Decree.</p> |
| | | (2) | <p>The court making an order under this section -</p> <p>(a) in the case of an unlimited company, may allow to the contributory by way of set-off any money due to him or to the estate which he represents from the company of any independent dealing or contract with the company, but not any money due to him as a member of the company in respect of any dividend or profit.</p> <p>(b) in the case of a limited company, may make to any director or manager whose liability is unlimited or to his estate, the like allowance as in paragraph (a) of this subsection.</p> |
| | | (3) | <p>In the case of any company, limited or unlimited, when all the creditors are paid in full, the money due on any account whatever to a contributory from the company may be allowed to him by way of set-off against any subsequent call.</p> |
| Power of Court to make calls. | 442. | (1) | <p>The court may, at any time after making a winding up order, and either before or after it has ascertained the sufficiency of the assets of the company, make calls on all or any of the contributories for the time being settled on the list of contributories to the extent of their liability, for payment of any money which the court considers necessary to satisfy the debts and liabilities of the company, and the costs, charges and expenses of the winding up, and for the adjustment of the rights of the contributories among themselves, and make an order for payment of any calls so made.</p> |
| | | (2) | <p>In making a call under this section, the court shall take into consideration the probability that some of the contributories may fail, wholly or partially, to pay the call.</p> |

Power to order payment into companies liquidation account.	443.	(1)	The court may order any contributory, purchaser of other person from whom money is due to the company to pay it into the company's liquidation account referred to in section 428 of this Decree to the account of the liquidator instead of direct to the liquidator and any such order may be enforced in the same manner as if it had directed payment to the liquidator.
		(2)	Moneys and securities paid or delivered into the company's liquidation account in the event of a winding up by the court shall be subject in all respects to any relevant order of the court.
Order on contributory to be conclusive evidence.	444.	(1)	An order made by the court on a contributory shall subject to any right of appeal, be conclusive evidence that money, if any thereby appearing to be due or ordered to be paid, is due.
		(2)	All other pertinent matters stated in the order shall be taken to be truly stated as against all persons and in all proceedings, except proceedings against the land of a deceased contributory, when the order shall be only prima facie evidence for the purpose of charging his land, unless his heirs or devisees were on the list of contributories at the time the order was made.
Power to exclude creditors not proving in time.	445.		The court may fix a time or times within which creditors are to prove their debts or claims, or be excluded from the benefit of any distribution made before those debts are proved.
Adjustment of rights of contributories.	446.		The court shall adjust the rights of the contributories among themselves, and distribute any surplus among the persons entitled thereto.
Inspection of books by creditors and contributories.	447.	(1)	The court may, at any time after making a winding up order, make such order for inspection of the books and papers of the company by creditors and contributories as the court thinks just, and any books and papers in the possession of the company may be inspected by creditors or contributories accordingly, but not further or otherwise.
		(2)	Nothing in this section shall be taken as excluding or restricting any statutory rights of a government department or person acting under the authority of a government department.
Power to order to costs of winding up to be paid out of assets.	448.		The court may, in the event of the assets being insufficient to satisfy the liabilities, make an order as to the payment out of the assets of the costs, charges and expenses incurred in the winding up in such order of priority as the court thinks just.
Power to summon persons suspected of having property of company, etc.	449.	(1)	The court may, at any time after appointment of a provisional liquidator or the making of a winding up order, summon before it any officer of the company or person known or suspected to have in his possession any property of the company or supposed to be indebted to the company, or any person who the court deems capable of giving information concerning the promotion, formation, trade, dealings, affairs or property of the company.
		(2)	The court may examine on oath any person so summoned concerning the matters aforesaid either by word of mouth or on written interrogatories, and may reduce his answers to writing and require him to sign them.