



How to Convert a Private Company to a Public Company in Nigeria: Costs and Requirements

Description

The [conversion of a private company](#) to a public company in Nigeria is a strategic move that allows businesses to access capital markets and raise funds from the public.

This process, governed by the Companies and Allied Matters Act (CAMA) 2020, enables a private company to change its legal status without forming a new entity or disrupting its business operations.

This article outlines the costs, requirements, and steps involved in converting a private company to a public company, making it easier for potential clients to take action.

Why Convert to a Public Company?

Converting to a public company offers several advantages:

- **Access to Capital:** Ability to raise funds through public share offerings.
- **Enhanced Credibility:** Increased trust and credibility with investors and stakeholders.

- **Liquidity:** Shares of the company can be [traded on the stock exchange](#), providing liquidity for shareholders.
- **Growth Opportunities:** Facilitates expansion and growth through access to more significant capital resources.

Requirements for Conversion

Statutory Requirements

Before initiating the conversion process, a private company must meet the following statutory requirements:

1. **Minimum Issued Share Capital:** The company must have a minimum issued share capital of not less than ₦2,000,000.
2. **No Previous Re-registration as an Unlimited Company:** The company must not have been previously re-registered as an unlimited company.
3. **Net Assets Compliance:** The company must fulfill the net assets requirements as stipulated by CAMA.

Conversion Procedure

1. Board Meeting

A board meeting is convened to propose the conversion and re-registration of the company from a private company (LTD) to a public company (PLC). A board resolution is passed to authorise the Company Secretary to issue a notice of a General Meeting.

2. General Meeting

A general meeting is convened where a special resolution is passed to re-register the company as a public company (PLC).

3. Requisite Alterations

The company must make necessary alterations to its documents:

- **Change of Name:** From “Ltd” to “Plc” in the Certificate of Incorporation, Memorandum and Articles of Association.
- **Increase Share Capital:** To meet the legal minimum for a public company.
- **Remove Share Transfer Restrictions:** Eliminate restrictions on share transfers and public invitations.
- **Update Regulations:** Adjust director and company secretary appointment regulations to comply with public company requirements.

4. Application to the Corporate Affairs Commission (CAC)

An application is made to the CAC in the prescribed form, signed by at least one director and the secretary, along with the following documents:

- Statement of the company’s proposed name on re-registration.
- Statement of the company’s proposed secretary.
- Special resolution for re-registration as a public company.

- Printed copy of the altered Memorandum and Articles of Association.
- Written statement by the directors and secretary certifying that the paid-up capital is not less than 25% of the authorised capital.
- Balance sheet as of the date of the resolution or the preceding six months.
- Valuation report (if required).
- Statutory declaration of compliance with the special resolution and asset requirements.
- Copy of any prospectus or statements in lieu of prospectus submitted to the Securities and Exchange Commission within the past 12 months (if applicable).
- Original receipt of filing fees.
- Evidence of filing of Annual Returns up to date.

5. Issuance of New Certificate

Upon fulfilling all requirements, the CAC issues a new certificate of incorporation indicating the company's new status as a public company (PLC). It is advisable to obtain Certified True Copies (CTC) of all documents filed with the CAC for record-keeping.

Cost Involved in Conversion from a Private to a Public Company.

Summary of Costs

Item

Filing Fee

Subsequent Millions on Filing Fee

Stamp Duty

Subsequent Millions on Stamp Duty

Updating of Annual Returns (filing & penalty)

Change of Name Filing Fee

Alteration of Memorandum and Articles of Association

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Detailed Breakdown

1. Filing Fee for the conversion: ₦20,000
2. Subsequent Millions on Filing Fee: ₦10,000 per additional million in share capital.
3. Stamp Duty: ₦8,500
4. Subsequent Millions on Stamp Duty: ₦7,500 per additional million.
5. Updating Annual Returns: ₦10,000 Per year (includes both filing and penalty fees).
6. Change of Name Filing Fee(LTD to PLC): ₦50,000
7. Alteration of Memorandum and Articles of Association: ₦10,000

Conclusion

Converting a private company to a public company in Nigeria involves a detailed process that requires compliance with statutory requirements and proper documentation.

The benefits, including access to capital markets and increased business credibility, make it a worthwhile endeavour.

By understanding the costs and requirements, companies can smoothly navigate the conversion process and unlock new growth opportunities.

If you are considering converting your private company to a public company, consulting with legal and financial professionals can ensure a seamless transition.

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