



“One is Enough”: Pre-CAMA 2020 Private Companies Can Transition to a Single-Shareholder Structure

Introduction

The Federal High Court (“the Court”) in Abuja recently handed down a significant decision in the case of *Primetech Design and Engineering Nigeria Limited & Julius Berger Nigeria Plc (JBN) v. Corporate Affairs Commission (CAC)*, Suit No. FHC/ABJ/CS/665/2023, regarding single-shareholder rights for private companies. This decision reshapes the corporate framework for companies across Nigeria.

The Dispute: Who Can Have a Single Shareholder?

Primetech Design and Engineering Nigeria Limited (“Primetech”) and Julius Berger

Nigeria Plc (“JBN”) initiated the case against the Corporate Affairs Commission (“CAC”) after the CAC refused to register changes in Primetech’s shareholding structure. Primetech, incorporated in 2011 (under the now-repealed CAMA 1990), originally had two shareholders—JBN and another shareholder. Following the transfer of shares to JBN, making JBN the sole shareholder, Primetech requested the CAC to update its corporate records in the Companies Registration Portal (CRP).

- **CAC’s Argument:** The CAC argued that section 18(2) of CAMA 2020 did not apply retroactively to companies incorporated before the enactment of CAMA 2020 and claimed that reducing the number of shareholders to one would trigger the



winding-up provisions under section 571(c) of CAMA 2020.

• **Primetech & JBN’s Position:** Primetech and JBN argued that section 18(2) of CAMA 2020 should apply to all private companies, regardless of their incorporation date and excluding pre-CAMA 2020 companies would undermine the intended reforms of the law.

The Court’s Decision: A Victory for Modern Business Practices

The Court ruled in favor of Primetech and JBN, holding that section 18(2) of CAMA 2020 applies to all private companies, regardless of their incorporation date. The Court held that a different interpretation would contradict the legislature’s goal of simplifying business operations. The Court also clarified that section 571(c) of CAMA 2020 applies only to companies with more than one shareholder and does not affect private companies allowed to have a single shareholder under section 18(2) of CAMA 2020. As a result, the CAC was ordered to accept the share transfer and update Primetech’s corporate records accordingly.

What This Means for Private Companies

This decision is a game-changer for private companies in Nigeria. Key implications include:

- 1. Flexibility in Ownership:** Private companies, regardless of their incorporation date, can now operate with a single shareholder, allowing more streamlined ownership structures.
- 2. Simplified Governance:** The decision reduces the administrative burden of maintaining multiple shareholders, improving corporate governance efficiency.
- 3. Restructuring Opportunities:** Companies incorporated under CAMA 1990 can now restructure ownership more flexibly, aligning with modern corporate practices without fear of non-compliance.
- 4. Enhanced Business Continuity:** This decision provides clarity for companies looking to transfer or consolidate ownership, ensuring smoother transitions in corporate governance.

A New Era for Private Companies

The Federal High Court’s decision offers greater flexibility for private companies in Nigeria by confirming that section 18(2) of CAMA 2020 applies to all private companies. This decision supports broader corporate governance reforms, offering companies opportunities to streamline ownership structures and improve governance practices. For more information on how to navigate these changes, reach out to us at info@scp-law.com or visit our website at www.scp-law.com.